

DYNEX POWER INC.**Consolidated Balance Sheets (Unaudited)**

Quarter Ended September 30th, 2007

	Sept 30th 2007	Dec 31st 2006
CURRENT ASSETS		
Cash	\$ 304,872	\$ 357,042
Accounts receivable	5,844,310	4,936,028
Inventories	7,510,676	7,198,306
Prepaid expenses and deposits	414,927	715,935
	14,074,785	13,207,311
CAPITAL ASSETS	688,435	444,715
	\$ 14,763,220	\$ 13,652,026
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,484,231	\$ 4,592,004
Short-term loan	4,017,600	3,013,654
Due to directors	-	-
Current portion of long-term debt	1,800,728	1,269,994
Current portion of deferred revenue	156,815	175,832
	10,459,374	9,051,484
LONG-TERM DEBT	2,106,954	3,570,847
LONG-TERM DEFERRED REVENUE	1,489,739	1,802,283
	14,056,067	14,424,614
CONTINGENCIES	-	-
SHAREHOLDERS' SURPLUS/(DEFICIENCY)		
Share capital	14,130,108	13,888,690
Deficit	(12,836,490)	(14,098,044)
Accumulated other comprehensive loss	(586,465)	(563,234)
	707,153	(772,588)
	\$ 14,763,220	\$ 13,652,026

DYNEX POWER INC.

Consolidated Statement of Earnings (Losses) and Deficits (Unaudited)

Quarter Ended September 30th, 2007

	3 months	3 months	YTD	YTD
	Sept 30th	Sept 30th	Sept 30th	Sept 30th
	2007	2006	2007	2006
Revenue	\$ 8,706,374	\$ 5,706,698	\$ 22,499,302	\$ 17,041,865
Cost of sales	6,486,247	4,668,074	17,596,426	14,085,348
Gross margin	2,220,127	1,038,624	4,902,876	2,956,517
Expenses				
General and administration	797,642	604,284	2,099,998	1,954,366
Sales and marketing	211,082	242,822	790,568	722,541
Research and development	175,062	181,839	477,095	541,146
Interest expense	218,611	204,825	647,766	589,780
	1,402,397	1,233,770	4,015,427	3,807,833
Earnings (loss) before other income and income taxes	817,730	(195,146)	887,449	(851,316)
Other income				
Interest and other income	94,041	60,551	231,221	185,051
Foreign exchange gain (loss)	3,478	1,962	(52,830)	(29,849)
	97,519	62,513	178,391	155,202
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	915,249	(132,633)	1,065,840	(696,114)
DEFICIT, BEGINNING OF PERIOD	(13,751,739)	(14,388,076)	(14,098,044)	(13,824,595)
Adjustment to deficit, beginning of period	-	-	195,714	-
DEFICIT, END OF PERIOD	\$ (12,836,490)	\$ (14,520,709)	\$ (12,836,490)	\$ (14,520,709)

Earnings (Loss) per share

Basic	\$ 0.03	\$ (0.00)	\$ 0.03	\$ (0.02)
Diluted	\$ 0.03	\$ (0.00)	\$ 0.03	\$ (0.02)

Weighted average number of shares

Basic	33,343,908	32,196,183	33,303,066	30,650,637
Diluted	33,778,444	32,196,183	33,717,520	30,650,637

DYNEX POWER INC.

Consolidated Statement of Comprehensive Income (Loss) (Unaudited)

Quarter Ended September 30th, 2007

	3 months Sept 30th 2007	3 months Sept 30th 2006	YTD Sept 30th 2007	YTD Sept 30th 2006
Net earnings (loss)	\$ 915,249	\$ (132,633)	\$ 1,065,840	\$ (696,114)
Other Comprehensive loss, net of tax:				
Unrealized loss on translating financial statements of self-sustaining foreign operations	(45,271)	(46,358)	(23,231)	(63,772)
OTHER COMPREHENSIVE LOSS	(45,271)	(46,358)	(23,231)	(63,772)
COMPREHENSIVE INCOME (LOSS)	\$ 869,978	\$ (178,991)	\$ 1,042,609	\$ (759,886)

DYNEX POWER INC.

Consolidated Statement of Accumulated Other Comprehensive Loss (Unaudited)

Quarter Ended September 30th, 2007

	Sept 30th 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 income (loss)	(23,231)	(148,142)
ACCUMULATED OTHER COMPREHENSIVE LOSS	\$ (586,465)	\$ (563,234)

DYNEX POWER INC.

Consolidated Statement of Cash Flows (Unaudited)

Quarter Ended September 30th, 2007

	3 months		3 months		YTD		YTD	
	Sept 30th		Sept 30th		Sept 30th		Sept 30th	
	2007		2006		2007		2006	
OPERATING								
Net earnings (loss)	\$	915,249	\$	(132,633)	\$	1,065,840	\$	(696,114)
<u>Items not affecting cash</u>								
Amortization		30,583		59,930		154,617		169,622
Gain on disposal of capital assets		(40,778)		(40,032)		(139,922)		(118,575)
Shares and options issued for services		2,453		109,569		47,771		284,287
Non cash interest		44,143		-		145,848		-
Non cash grant income		-		-		(28,660)		-
Changes in non-cash operating working capital		(1,576,226)		(1,211,482)		(2,054,508)		(171,438)
		(624,576)		(1,214,648)		(809,014)		(532,218)
FINANCING								
Shares issued for cash		762		-		762		550,000
Increase in short-term debt		1,844,404		1,180,308		1,361,387		69,384
Decrease in loans from a director		(1,098,138)		-		-		-
Decrease in long-term debt		(108,900)		(42,493)		(183,887)		(105,987)
		638,128		1,137,815		1,178,262		513,397
INVESTING								
Proceeds of disposal of capital assets		-		-		12,518		-
Purchase of capital assets		(128,633)		(14,955)		(474,519)		(99,861)
		(128,633)		(14,955)		(462,001)		(99,861)
NET DECREASE IN CASH		(115,081)		(91,788)		(92,753)		(118,682)
Effect of foreign currency translation on cash flow		39,937		(6,336)		40,583		(1,919)
Cash, beginning of period		380,016		309,420		357,042		331,897
CASH, END OF PERIOD	\$	304,872	\$	211,296	\$	304,872	\$	211,296
Supplementary Information:								
Interest paid during period	\$	215,751	\$	134,609	\$	531,757	\$	489,559
Income taxes paid during period		-		-		-		-