

DYNEX POWER INC.**Consolidated Statements of Earnings (Loss) and Deficits
Years Ended December 31st, 2007 and 2006**

	2007	2006
Revenue	\$ 30,155,294	\$ 23,713,165
Cost of sales	23,291,137	19,521,431
Gross margin	6,864,157	4,191,734
Expenses		
General and administration	2,466,857	2,241,500
Sales and marketing	947,932	952,583
Research and development	673,503	697,604
Interest expense	847,324	834,669
	4,935,616	4,726,356
Earnings (loss) before other income	1,928,541	(534,622)
Other income		
Interest and other income	279,406	245,171
Foreign exchange (loss) gain	(36,444)	16,002
	242,962	261,173
Income taxes	-	-
NET EARNINGS (LOSS)	2,171,503	(273,449)
DEFICIT, BEGINNING OF PERIOD, as originally stated	(14,098,044)	(13,824,595)
Adjustment to deficit, beginning of period	195,714	-
DEFICIT, END OF PERIOD	\$ (11,730,827)	\$ (14,098,044)
Earnings (Loss) per share		
Basic	\$ 0.07	\$ (0.01)
Diluted	\$ 0.06	\$ (0.01)
Weighted average number of shares		
Basic	33,314,485	31,257,836
Diluted	33,680,516	31,257,836

DYNEX POWER INC.
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31st, 2007 and 2006

	2007	2006
Net earnings (loss)	\$ 2,171,503	\$ (273,449)
Other Comprehensive loss, net of tax:		
Unrealized loss on translating financial statements of self-sustaining foreign operations	(197,553)	(148,142)
OTHER COMPREHENSIVE LOSS	(197,553)	(148,142)
COMPREHENSIVE INCOME (LOSS)	\$ 1,973,950	\$ (421,591)

DYNEX POWER INC.
Consolidated Statements of Accumulated Other Comprehensive Loss
As at December 31st, 2007 and 2006

	2007	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	(197,553)	(148,142)
ACCUMULATED OTHER COMPREHENSIVE LOSS	\$ (760,787)	\$ (563,234)

DYNEX POWER INC.

Consolidated Balance Sheets

As at December 31st, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash	\$ 140,867	\$ 357,042
Accounts receivable	5,743,050	4,936,028
Inventories	7,521,573	7,198,306
Prepaid expenses and deposits	597,805	715,935
	<u>14,003,295</u>	<u>13,207,311</u>
PROPERTY, PLANT & EQUIPMENT	1,083,540	444,715
	<u>\$ 15,086,835</u>	<u>\$ 13,652,026</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,346,095	\$ 4,592,004
Short-term loan	3,814,585	3,013,654
Current portion of long-term debt	279,768	1,269,994
Current portion of deferred revenue	151,942	175,832
	<u>8,592,390</u>	<u>9,051,484</u>
LONG-TERM DEBT (Note 10)	3,446,595	3,570,847
LONG-TERM DEFERRED REVENUE	1,405,465	1,802,283
	<u>13,444,450</u>	<u>14,424,614</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital	14,133,999	13,888,690
Deficit	(11,730,827)	(14,098,044)
Accumulated other comprehensive loss	(760,787)	(563,234)
	<u>1,642,385</u>	<u>(772,588)</u>
	<u>\$ 15,086,835</u>	<u>\$ 13,652,026</u>

DYNEX POWER INC.
Consolidated Statements of Cash Flows
Years Ended December 31st, 2007 and 2006

	2007	2006
OPERATING		
Net earnings (loss)	\$ 2,171,503	\$ (273,449)
<u>Items not affecting cash</u>		
Amortization	186,890	255,465
Gain on disposal of capital assets	(177,994)	(163,179)
Shares and options issued for services	51,662	383,527
Non-cash interest	183,633	-
Non-cash grant income	(28,660)	-
Changes in non-cash operating working capital	(2,605,836)	(411,071)
	(218,802)	(208,707)
FINANCING		
Shares issued for cash	762	550,000
Increase in short-term debt	1,281,565	60,048
Decrease in long-term debt	(282,831)	(168,987)
	999,496	441,061
INVESTING		
Proceeds of disposal of capital assets	12,518	2,085
Purchase of capital assets	(932,734)	(167,626)
	(920,216)	(165,541)
NET DECREASE IN CASH	(139,522)	66,813
Effect of foreign currency translation on cash	(76,653)	(41,668)
Cash, beginning of period	357,042	331,897
CASH, END OF PERIOD	\$ 140,867	\$ 357,042
Supplementary Information:		
Interest paid during period	\$ 687,327	\$ 653,938
Income taxes paid during period	-	-