

DYNEX POWER INC.

Consolidated Statements of Earnings and Deficit (Unaudited)

Quarters and Years To Date Ended June 30th, 2008 and 2007

	3 months June 30th 2008	3 months June 30th 2007	YTD June 30th 2008	YTD June 30th 2007
Revenue	\$ 9,773,194	\$ 6,630,330	\$ 17,857,332	\$ 13,792,928
Cost of sales	5,839,609	5,179,214	11,374,942	11,110,179
Gross margin	3,933,585	1,451,116	6,482,390	2,682,749
Expenses				
General and administration	1,067,128	659,591	1,968,599	1,302,356
Sales and marketing	269,218	253,582	493,143	579,486
Research and development	206,507	157,488	418,976	302,033
Interest expense	192,085	214,417	364,305	429,155
	1,734,938	1,285,078	3,245,023	2,613,030
Earnings before other income	2,198,647	166,038	3,237,367	69,719
Other income				
Interest and other income	45,576	85,596	92,146	137,180
Foreign exchange gain (loss)	46,363	(62,185)	131,964	(56,308)
	91,939	23,411	224,110	80,872
Income taxes	-	-	-	-
NET EARNINGS	2,290,586	189,449	3,461,477	150,591
DEFICIT, BEGINNING OF PERIOD, as originally stated	(10,559,936)	(13,941,188)	(11,730,827)	(14,098,044)
Adjustment to deficit, beginning of period	-	-	-	195,714
DEFICIT, END OF PERIOD	\$ (8,269,350)	\$ (13,751,739)	\$ (8,269,350)	\$ (13,751,739)
Earnings per share				
Basic	\$ 0.06	\$ 0.01	\$ 0.10	\$ 0.00
Diluted	\$ 0.06	\$ 0.01	\$ 0.09	\$ 0.00
Weighted average number of shares				
Basic	35,375,006	33,339,043	34,327,442	33,282,216
Diluted	39,965,996	33,678,595	38,680,452	33,561,126

DYNEX POWER INC.**Consolidated Statements of Comprehensive Income (Unaudited)****Quarters and Year To Date Ended June 30th, 2008 and 2007**

	3 months June 30th 2008	3 months June 30th 2007	YTD June 30th 2008	YTD June 30th 2007
Net earnings	\$ 2,290,586	\$ 189,449	\$ 3,461,477	\$ 150,591
Other Comprehensive income (loss), net of tax:				
Unrealized profit (loss) on translating financial statements of self-sustaining foreign operations	(13,314)	27,970	98,815	22,040
OTHER COMPREHENSIVE INCOME (LOSS)	(13,314)	27,970	98,815	22,040
COMPREHENSIVE INCOME	\$ 2,277,272	\$ 217,419	\$ 3,560,292	\$ 172,631

DYNEX POWER INC.**Consolidated Statements of Accumulated Other Comprehensive Loss (Unaudited)****As At June 30th, 2008 and December 31st, 2007**

	June 30th 2008	Dec 31st 2007
Accumulated other comprehensive loss, beginning of period	\$ (760,787)	\$ (563,234)
Other comprehensive income (loss)	98,815	(197,553)
ACCUMULATED OTHER COMPREHENSIVE LOSS	\$ (661,972)	\$ (760,787)

DYNEX POWER INC.**Consolidated Balance Sheets (Unaudited)****As At June 30th, 2008 and December 31st, 2007**

	June 30th 2008	Dec 31st 2007
CURRENT ASSETS		
Cash	\$ 199,969	\$ 140,867
Accounts receivable	5,835,148	5,743,050
Inventories	9,366,746	7,521,573
Prepaid expenses and deposits	774,113	597,805
	16,175,976	14,003,295
PROPERTY, PLANT AND EQUIPMENT		
	2,403,841	1,083,540
	\$ 18,579,817	\$ 15,086,835
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 5,126,170	\$ 4,346,095
Short-term loan	2,988,333	3,814,585
Current portion of long-term debt	545,553	279,768
Current portion of deferred revenue	156,165	151,942
	8,816,221	8,592,390
LONG-TERM DEBT	2,300,617	3,446,595
LONG-TERM DEFERRED REVENUE	1,366,443	1,405,465
	12,483,281	13,444,450
SHAREHOLDERS' EQUITY		
Share capital	15,027,858	14,133,999
Deficit	(8,269,350)	(11,730,827)
Accumulated other comprehensive loss	(661,972)	(760,787)
	(8,931,322)	(12,491,614)
	6,096,536	1,642,385
	\$ 18,579,817	\$ 15,086,835

DYNEX POWER INC.

Consolidated Statements of Cash Flows (Unaudited)

Quarters and Years To Date Ended June 30th, 2008 and 2007

	3 months June 30th 2008	3 months June 30th 2007	YTD June 30th 2008	YTD June 2007
OPERATING				
Net earnings	\$ 2,290,586	\$ 189,449	\$ 3,461,477	\$ 150,591
<u>Items not affecting cash</u>				
Amortization	75,163	52,559	119,214	124,034
Gain on disposal of property, plant and equipment	(39,122)	(43,563)	(77,527)	(99,144)
Shares and options issued for services	11,177	2,574	13,735	45,318
Non-cash interest	27,047	50,313	53,530	101,705
Non-cash grant income	-	(14,684)	(2,355)	(28,661)
Provision for inventory obsolescence	243,510	317,540	277,500	150,065
Changes in non-cash operating working capital	(1,980,361)	(1,323,085)	(1,326,762)	(628,346)
	628,000	(768,897)	2,518,812	(184,438)
FINANCING				
Shares issued for cash	34,500	-	34,500	-
Increase in loans from a director	-	1,098,138	-	1,098,13
Increase (decrease) in short-term loan	535,973	(408,936)	(912,719)	(483,016)
Decrease in long-term debt	(110,102)	(31,973)	(156,532)	(74,988)
	460,371	657,229	(1,034,751)	540,134
INVESTING				
Proceeds of disposal of property, plant and equipment	401	1,098	401	12,518
Purchase of property, plant and equipment	(1,110,293)	(69,597)	(1,396,835)	(345,887)
	(1,109,892)	(68,499)	(1,396,434)	(333,369)
NET (DECREASE) INCREASE IN CASH	(21,521)	(180,167)	87,627	22,327
Effect of foreign currency translation on cash	(34,715)	6,395	(28,525)	647
Cash, beginning of period	256,205	553,788	140,867	357,042
CASH, END OF PERIOD	\$ 199,969	\$ 380,016	\$ 199,969	\$ 380,016