

DYNEX POWER INC.

**Consolidated Statements of Earnings and Deficit (Unaudited)**

Quarters Ended March 31st, 2010 and 2009

	3 months Mar 31st 2010	3 months Mar 31st 2009
<b>Revenue</b>	<b>\$ 10,432,799</b>	<b>\$ 11,002,723</b>
<b>Cost of sales</b>	<b>7,881,850</b>	<b>7,723,164</b>
<b>Gross margin</b>	<b>2,550,949</b>	<b>3,279,559</b>
<b>Expenses</b>		
General and administration	1,001,295	924,176
Sales and marketing	212,345	292,752
Research and development	331,988	255,919
Interest expense	48,103	136,595
	<b>1,593,731</b>	<b>1,609,442</b>
<b>Earnings before other income (expenses) and income taxes</b>	<b>957,218</b>	<b>1,670,117</b>
<b>Other income (expenses)</b>		
Interest and other income	59,741	38,622
Foreign exchange gain (loss)	130,911	(64,233)
	<b>190,652</b>	<b>(25,611)</b>
<b>Earnings before income taxes</b>	<b>1,147,870</b>	<b>1,644,506</b>
Income taxes	(361,629)	(479,818)
<b>NET EARNINGS</b>	<b>786,241</b>	<b>1,164,688</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(3,755,471)</b>	<b>(7,169,144)</b>
<b>DEFICIT, END OF PERIOD</b>	<b>\$ (2,969,230)</b>	<b>\$ (6,004,456)</b>
<b>Earnings per share</b>		
Basic	\$ 0.01	\$ 0.03
Diluted	\$ 0.01	\$ 0.03
<b>Weighted average number of shares</b>		
Basic	<b>80,391,428</b>	<b>40,194,834</b>
Diluted	<b>80,567,304</b>	<b>40,297,238</b>

**DYNEX POWER INC.****Consolidated Statements of Comprehensive (Loss) Income (Unaudited)****Quarters Ended March 31st, 2010 and 2009**

	<b>3 months Mar 31st 2010</b>	3 months Mar 31st 2009
<b>Net earnings</b>	<b>\$ 786,241</b>	\$ 1,164,688
<b>Other Comprehensive (loss) income, net of tax:</b>		
Unrealized foreign exchange (loss) gain on translating financial statements of self-sustaining foreign operations	<b>(2,626,201)</b>	129,434
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>	<b>(2,626,201)</b>	129,434
<b>COMPREHENSIVE (LOSS) INCOME</b>	<b>\$ (1,839,960)</b>	\$ 1,294,122

**DYNEX POWER INC.****Consolidated Statements of Accumulated Other Comprehensive Loss and Deficit (Unaudited)****As at March 31st, 2010 and December 31st, 2009**

	<b>Mar 31st 2010</b>	Dec 31st 2009
<b>Accumulated other comprehensive loss, beginning of period</b>	<b>\$ (1,853,191)</b>	\$ (1,380,101)
<b>Other comprehensive loss</b>	<b>(2,626,201)</b>	(473,090)
<b>Accumulated other comprehensive loss</b>	<b>(4,479,392)</b>	(1,853,191)
<b>Deficit</b>	<b>(2,969,230)</b>	(3,755,471)
<b>TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS AND DEFICIT</b>	<b>\$ (7,448,622)</b>	\$ (5,608,662)

Accumulated other comprehensive loss consists entirely of translation adjustments.

DYNEX POWER INC.

**Consolidated Balance Sheets (Unaudited)**

As At March 31st, 2010 and December 31st, 2009

	Mar 31st 2010	Dec 31st 2009
<b>CURRENT ASSETS</b>		
Cash	\$ 3,611,877	\$ 22,942,550
Accounts receivable	6,954,324	6,439,200
Inventories	8,207,493	8,872,155
Amounts owing from parent company	371,568	218,568
Income tax recoverable	87,643	96,413
Prepaid expenses and deposits	538,030	794,170
	<b>19,770,935</b>	<b>39,363,056</b>
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>		
	<b>17,460,857</b>	<b>17,420,677</b>
	<b>\$ 37,231,792</b>	<b>\$ 56,783,733</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,522,458	\$ 4,964,864
Short-term loan	-	16,273,732
Amounts owing to parent company	522,945	955,026
Current portion of long-term debt	12,874	24,921
Current portion of obligation under capital leases	101,282	113,602
Current portion of deferred revenue	529,270	1,174,803
	<b>5,688,829</b>	<b>23,506,948</b>
<b>LONG-TERM DEBT</b>	<b>-</b>	<b>942</b>
<b>LONG-TERM OBLIGATION UNDER CAPITAL LEASES</b>	<b>433,053</b>	<b>512,935</b>
<b>LONG-TERM DEFERRED REVENUE</b>	<b>833,184</b>	<b>949,290</b>
<b>FUTURE INCOME TAXES</b>	<b>683,824</b>	<b>380,756</b>
	<b>7,638,890</b>	<b>25,350,871</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	37,041,524	37,041,524
Deficit	(2,969,230)	(3,755,471)
Accumulated other comprehensive loss	(4,479,392)	(1,853,191)
	<b>29,592,902</b>	<b>31,432,862</b>
	<b>\$ 37,231,792</b>	<b>\$ 56,783,733</b>

**DYNEX POWER INC.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

	<b>3 months Mar 31st 2010</b>	3 months Mar 31st 2009
<b>OPERATING</b>		
Net earnings	\$ 786,241	\$ 1,164,688
<u>Items not affecting cash</u>		
Amortization	278,029	121,010
Gain on disposal of property, plant and equipment	(32,274)	(34,610)
Future income taxes	360,458	-
Non-cash interest	631	2,054
Provision for inventory obsolescence	340,271	55,981
Changes in non-cash operating working capital	(1,600,472)	(1,535,620)
	<b>132,884</b>	<b>(226,497)</b>
<b>FINANCING</b>		
Cost of share issue	(308,027)	-
Increase in amounts owing to parent company	-	2,521,141
Decrease in amounts owing to parent company	(553,002)	(284,605)
Decrease in short-term loans	(15,790,230)	(1,075,536)
Payments on capital leases	(37,583)	(26,973)
Decrease in long-term debt	(11,985)	(12,980)
	<b>(16,700,827)</b>	<b>1,121,047</b>
<b>INVESTING</b>		
Proceeds of disposal of property, plant and equipment	14,280	263
Purchase of property, plant and equipment	(2,184,201)	(434,623)
	<b>(2,169,921)</b>	<b>(434,360)</b>
Effect of foreign currency translation on cash	(592,809)	19,233
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(19,330,673)</b>	<b>479,423</b>
<b>Cash, beginning of period</b>	<b>22,942,550</b>	<b>404,638</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 3,611,877</b>	<b>\$ 884,061</b>