

DYNEX POWER INC.

Consolidated Statements of Earnings and Deficit (Unaudited)

Quarters Ended September 30th, 2009 and 2008

	3 months	3 months	YTD	YTD
	Sept 30th	Sept 30th	Sept 30th	Sept 30th
	2009	2008	2009	2008
Revenue	\$ 9,347,401	\$ 9,348,952	\$ 30,072,492	\$ 27,206,284
Cost of sales	7,453,418	7,203,244	22,864,053	18,578,186
Gross margin	1,893,983	2,145,708	7,208,439	8,628,098
Expenses				
General and administration	702,683	1,261,504	2,352,821	3,230,102
Sales and marketing	198,541	230,918	717,098	724,061
Research and development	295,727	216,176	786,031	635,152
Interest expense	119,159	135,587	381,091	499,892
	1,316,110	1,844,185	4,237,041	5,089,207
Earnings before other income (expenses) and income taxes	577,873	301,523	2,971,398	3,538,891
Other income (expenses)				
Interest and other income	63,240	86,470	182,627	178,615
Foreign exchange gain (loss)	181,403	7,116	(118,766)	139,080
	244,643	93,586	63,861	317,695
Earnings before income taxes	822,516	395,109	3,035,259	3,856,586
Income taxes	(121,858)	-	(444,679)	-
NET EARNINGS	700,658	395,109	2,590,580	3,856,586
DEFICIT, BEGINNING OF PERIOD	(5,279,222)	(8,269,350)	(7,169,144)	(11,730,827)
DEFICIT, END OF PERIOD	\$ (4,578,564)	\$ (7,874,241)	\$ (4,578,564)	\$ (7,874,241)

DYNEX POWER INC.

Consolidated Statements of Comprehensive Income (Unaudited)

Quarters Ended September 30th, 2009 and 2008

	3 months Sept 30th 2009	3 months Sept 30th 2008	YTD Sept 30th 2009	YTD Sept 30th 2008
Net earnings	\$ 700,658	\$ 395,109	\$ 2,590,580	\$ 3,856,586
Other Comprehensive loss, net of tax:				
Unrealized foreign exchange on translating financial statements of self-sustaining foreign operations	(1,020,340)	(390,137)	(349,551)	(291,322)
OTHER COMPREHENSIVE LOSS	(1,020,340)	(390,137)	(349,551)	(291,322)
COMPREHENSIVE (LOSS) INCOME	\$ (319,682)	\$ 4,972	\$ 2,241,029	\$ 3,565,264

DYNEX POWER INC.

Consolidated Statements of Accumulated Other Comprehensive Loss and Deficit (Unaudited)

As at September 30th, 2009 and December 31st, 2008

	Sept 30th 2009	Dec 31st 2008
Accumulated other comprehensive loss, beginning of period	\$ (1,380,101)	\$ (760,787)
Other comprehensive loss	(349,551)	(619,314)
Accumulated other comprehensive loss	(1,729,652)	(1,380,101)
Deficit	(4,578,564)	(7,169,144)
TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS AND DEFICIT	\$ (6,308,216)	\$ (8,549,245)

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

As At September 30th, 2009 and December 31st, 2008

	Sept 30th 2009	Dec 31st 2008
CURRENT ASSETS		
Cash	\$ 2,488,658	\$ 404,638
Accounts receivable	6,441,129	6,081,965
Inventories	8,277,217	8,041,747
Income tax recoverable	-	2,838
Prepaid expenses and deposits	673,872	696,625
	17,880,876	15,227,813
PROPERTY, PLANT & EQUIPMENT		
	12,230,406	5,433,347
	\$ 30,111,282	\$ 20,661,160
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,417,468	\$ 5,688,807
Income tax payable	126,889	-
Amounts owing to parent company	850,531	-
Short-term loans	12,747,012	3,551,495
Current portion of long-term debt	33,210	45,610
Obligation under capital leases	117,525	114,146
Current portion of deferred revenue	1,266,449	137,271
	19,559,084	9,537,329
LONG-TERM DEBT	4,531	2,846,811
LONG-TERM OBLIGATION UNDER CAPITAL LEASES	549,868	642,659
LONG-TERM DEFERRED REVENUE	995,714	1,132,483
FUTURE INCOME TAX	259,107	-
	21,368,304	14,159,282
SHAREHOLDERS' EQUITY		
Share capital	15,051,194	15,051,123
Deficit	(4,578,564)	(7,169,144)
Accumulated other comprehensive loss	(1,729,652)	(1,380,101)
	8,742,978	6,501,878
	\$ 30,111,282	\$ 20,661,160

DYNEX POWER INC.

Consolidated Statements of Cash Flows (Unaudited)

Quarters Ended September 30th, 2009 and 2008

	3 months	3 months	YTD	YTD
	Sept 30th	Sept 30th	Sept 30th	Sept 30th
	2009	2008	2009	2008
OPERATING				
Net earnings	\$ 700,658	\$ 395,109	\$ 2,590,580	\$ 3,856,586
<u>Items not affecting cash</u>				
Amortization	177,182	87,832	447,599	207,046
Gain on disposal of property, plant and equipment	(34,768)	(37,895)	(104,597)	(115,422)
Shares and options issued for services	-	6,890	-	20,625
Non-cash interest	1,407	17,454	5,232	70,984
Non-cash grant income	-	-	-	(2,355)
Provision for inventory obsolescence	31,942	186,287	510,500	463,787
Changes in non-cash operating working capital items	(718,403)	909,840	(1,129,074)	(416,922)
	158,018	1,565,517	2,320,240	4,084,329
FINANCING				
Shares issued for cash	71	-	71	34,500
Increase in amounts owing to parent company	-	-	2,521,141	-
Decrease in amounts owing to parent company	(2,291,448)	-	(3,355,478)	-
Increase (repayment) of short-term loans	5,973,584	(259,035)	9,831,134	(1,171,755)
Payments on capital leases	(30,681)	-	(67,415)	-
Repayment of long-term debt	(13,120)	(108,941)	(1,223,365)	(265,473)
	3,638,406	(367,976)	7,706,088	(1,402,728)
INVESTING				
Proceeds of disposal of property, plant and equipment	-	-	263	401
Purchase of property, plant and equipment	(4,849,737)	(1,228,181)	(7,780,890)	(2,625,016)
	(4,849,737)	(1,228,181)	(7,780,627)	(2,624,615)
NET (DECREASE) INCREASE IN CASH	(1,053,313)	(30,640)	2,245,701	56,986
Effect of foreign currency translation on cash	(401,819)	30,646	(161,681)	2,122
Cash, beginning of period	3,943,790	199,969	404,638	140,867
CASH, END OF PERIOD	\$ 2,488,658	\$ 199,975	\$ 2,488,658	\$ 199,975