DYNEX POWER INC.

REPORT FOR THE QUARTER ENDED MARCH 31st 2008

Our objectives are

To grow and develop as a leading independent manufacturer of high power and high reliability electronic products

Our key values are

Customers

Delivering confidence in our products and services through applying high standards of quality and service whilst maintaining a personal and flexible approach to our customers.

Engineering

Enabling access to the best engineering skills and applying the highest technical standards to our customers' requirements.

Profitability

Sustaining and developing our business through directing efforts into the most profitable sectors of our business.

Integrity

Being honest, straightforward and reliable in dealing with people across all areas of our business.

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Company Profile

Dynex is one of the world's leading independent suppliers of specialist, high power semiconductor products. Dynex Semiconductor Ltd is its only operating business and is based in Lincoln, England in a facility housing the fully integrated silicon fabrication, assembly and test, sales, design and development operations. The Company designs and manufactures high power bipolar discrete semiconductors, high power insulated gate bipolar transistor (IGBT) modules, high power electronic assemblies, and radiation hard silicon-on-sapphire integrated circuits (SOS IC's). Dynex power products are used world wide in power electronic applications including electric power transmission and distribution, renewable and distributed energy, marine and rail traction motor drives, aerospace, electric vehicles, industrial automation and controls and power supplies. Our IC products are used in demanding applications in the aerospace industry.

Company Facts

- DPI Technologies Inc. was founded in February 1998
- DPI Technologies Inc. changed its name to Dynex Power Inc. in May 1999
- Dynex Semiconductor Ltd was formed to acquire the assets of the Lincoln Business Unit in January 2000
- The Lincoln Business Unit was founded in Lincoln England in 1956 and had previously traded as:

AEI Semiconductors Ltd	(AEI)
Marconi Electronic Devices Ltd	(MEDL)
GEC-Plessey Semiconductors Ltd.	(GPS)

- 233 employees (March 2008)
- ISO9001:2000 and ISO14001:2004 approved
- Further information: www.dynexsemi.com

Products

- High power bipolar discrete semiconductors
- High power IGBT modules
- High power electronic assemblies and components
- High reliability silicon-on-sapphire ICs

Customers & Markets

Our customers are electronic equipment manufacturers and maintenance providers in the following sectors:

- Industrial power transmission and distribution
  - -Electric power transmission and distribution
  - -Renewable and distributed power
  - -Heavy industries such as steel and mining
  - -Factory automation
- Marine propulsion and on-board systems
- Railway propulsion and on-board systems
- Aircraft power electronic systems
- Space satellite applications

Letter to Shareholders

I am pleased to introduce this first quarter report for 2008. The results show that Dynex has not only made a good start to the year but also expects to deliver further improvement over last year and continue the trend of revenue growth.

Management is confident about Dynex delivering robust revenue performance in 2008 owing to the strength of the forward order book. During the first quarter we received new orders in excess of $10 million representing a book to bill ratio of 1.27 and increasing our order book to around $28 million: this order book is equivalent to 46 weeks of output at first quarter sales levels. New orders were received for all four of the major business segments with our i^2 thyristor types being the most popular products.

This increased order book and the high book-to-bill ratio reflect the strength of our targeted sales market, our market positioning, and the increased customer confidence in Dynex. For power products the market strength is driven by the global demand for energy efficiency and infrastructure developments, a demand that is further accelerated by high oil prices and global climate change. Our focus on the high power sector fits well with this global demand. Dynex is one of a small number of operations world-wide that have both the experience and the technology to offer customers competitive products in this sector. Provided that Dynex products remain competitive in this robust market and we can retain or grow market share, we anticipate a bright outlook for the future.

The key functions that enable Dynex to take best advantage of the favourable sales market and remain competitive are research and development (R&D) and manufacturing. For Power Modules our R&D teams are working on new high voltage and high power Insulated Gate Bipolar Transistor (IGBT) chip designs to improve the energy efficiency of our modules, improved module designs and methods both to quantify and to improve their long-term reliability. For bipolar products R&D is centred on our high-end thyristor products based on our proprietary i^2 technology delivering improved power efficient solutions. Through our R&D work we plan to enhance further our i^2 capability offering higher powers and better switching performance particularly for the highest power types.

To achieve manufacturing growth Dynex is investing in its production capability. These investments include new capital equipment, engineering and manufacturing personnel recruitment, staff training and development, and will increase our manufacturing capacity and production efficiency for the Power IGBT Module and bipolar i^2 thyristor products.

Turning to the Integrated Circuits business segment, sales revenues for silicon-on-sapphire products are not anticipated to grow in 2008, with new order intake being restricted by a diminished supply of die stock and delayed qualification of new material. This delay is due to technical issues at Dynex that if unresolved will result in reduced sales in this business sector in the second half of this year. Although this does not affect the growing power segments, it will give a less favourable product mix overall due to the higher margin expectations of the Integrated Circuit segment. The situation beyond 2008 will remain uncertain until the technical issues are resolved.

In March 2008 we announced the signing of a Letter of Intent with the Zhuzhou CSR Times Electric Co., Ltd. based in Hunan Province, China. Their proposal is to acquire either 80% or 100% of Dynex Power Inc. Since that time, and whilst there is no assurance that the transaction will be completed, both the due diligence and the preparation of the definitive documentation is progressing on schedule. Becoming part of such a larger power electronics business remains our preferred route for achieving capacity expansion and funding for Dynex business development and expansion. Management fully supports this proposed transaction

Based on our current plans we are in good shape to deliver robust performance in our second quarter. In the meantime thank you for your interest in Dynex and your continued support, and I hope that you find this first quarter report both interesting and encouraging.

Paul Taylor
President and Chief Executive Officer
26 May 2008

Management Discussion & Analysis

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes of the Company for the quarters ended March 31st, 2008 and 2007.

This report contains certain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Group's business and results of operation. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the Management Discussion & Analysis of this report as discussed in public disclosure documents filed with Canadian regulatory authorities.

Overview

The Company enjoyed a good start to 2008. Revenue was some 7% higher than the average quarterly revenue in 2007 and the increase was even more when measured in Sterling terms. This growth in revenue and another good product mix resulted in the gross profit percentage rising by nearly 6 percentage points compared to the preceding quarter and by nearly 9 percentage points compared to 2007 in total. Overhead expenses as a percentage of revenue rose slightly to 18.7% as the Company prepares for increased activity in future and as a result of the additional costs associated with the discussions on a possible acquisition of the Company. As a consequence of these changes, the Company reported net earnings for the quarter of $1.1 million, compared to a profit of $2.2 million for the whole of 2007, continuing a trend of improvement seen over the preceding four years. The strength of the order book at the year end, together with the continuing improvements in the gross margin percentage means that management is confident that both revenue and net profit in 2008 will improve on the figures reported in 2007.

Revenue

Revenue for the first quarter of 2008 was $8.1 million, up by $428,000 or 6% from the fourth quarter of 2007. The rise in revenue was fully accounted for by an increase in sales of Integrated Circuits. Revenue from the three power semiconductor product groups fell by 2%, although the fall was only 1% in Sterling terms.

Compared to the corresponding quarter of last year, revenue was up by $922,000 or 13%. Here again, the increase was fully accounted for by an increase in sales of Integrated Circuits with a fall of 2% in sales of power semiconductors although a 12% rise in such sales had been recorded in Sterling terms.

Gross Margin

The gross margin was 31.5% in the first quarter of 2008 compared to 25.6% in the fourth quarter of 2007. The increase reflected the increase in revenue and a slightly better mix of products. The product mix in the quarter was especially good and this level of gross margin may not continue in the longer term. The gross margin was 17.2% in the corresponding quarter of 2007. The increases over the corresponding quarter of last year was as a result of the increase in volume and higher increases in sales of the higher margin products.

Expenses

Overhead expenses in the first quarter of 2008 of $1.5 million were $589,000 or 64% higher than in the fourth quarter of 2007. The fourth quarter's overhead expense had been particularly low, but the figure is still some 22% above the average quarterly rate in 2007. The increase in overhead costs arose from the costs of preparing for increased activity and from the costs associated with the discussions on a possible acquisition of the Company

Compared to the first quarter of 2007, overhead expenses rose by $182,000 or 14%. The increase arose from the same factors discussed above.

Interest & Other Income

Interest and other income was $47,000 in the first quarter of 2007, compared to $48,000 in the preceding quarter and $52,000 in the corresponding quarter of last year. A major constituent of Other Income continues to be the $38,000 quarterly release of deferred revenue arising from the sale and leaseback of a building in 2003.

Foreign Exchange Gains and Losses

There was a foreign exchange gain in the quarter of $86,000, compared to a gain of $16,000 in the preceding quarter and a gain of $6,000 in the corresponding quarter of last year. By their nature, these gains and losses are unpredictable.

Income Taxes

As a result of brought forward tax losses, no tax is payable on the profit recorded in the quarter or on the profit recorded in the preceding quarter. No tax was payable on the small loss reported in the corresponding quarter of last year.

Net Earnings/Loss

The Company reported a profit of $1.2 million in the quarter compared to a profit in the previous quarter of $1.1 million. The improvement in profit reflected the slight increase in revenue and a better product mix during the quarter.

The profit in the first quarter was substantially better than the loss of $39,000 reported in the corresponding quarter of last year. The improvement reflected both higher sales and in particular the good product mix achieved in the last quarter.

Segmental Analysis

Sales prices in Sterling in all business segments remained stable over the last 12 months. The average dollar rate against sterling has remained reasonably stable between the current quarter and the preceding quarter but has strengthened by 7-8% since the corresponding quarter of last year.

Revenue for the Bipolar Discrete Group in the quarter of $3.8 million was $240,000 or 7% higher than the previous quarter but $294,000 or 7% lower than in the corresponding quarter of last year. This fall was entirely due to the exchange rate. In Sterling terms sales had been higher than the corresponding quarter of last year.

Revenue for Power Modules Group in the quarter of $1.3 million was $306,000 or 19% lower than the record figure reported in the preceding quarter but was still the second highest quarterly revenue ever. It was $153,000 or 13% higher than in the corresponding quarter of last year and in Sterling terms the growth had been much greater.

Revenue for the Power Electronic Assemblies Group of $1.2 million was $86,000 or 7% lower than in the previous quarter and $16,000 or less than 1% lower than in the corresponding quarter of last year. Here again, the comparison against revenue in the corresponding quarter of last year in Sterling showed good growth.

Revenue from Integrated Circuits for the quarter of $1.7 million was $581,000 or 50% higher than the figure in the preceding quarter and $1.1 million or more than two and a half times the figure in the corresponding quarter of 2007.

Seasonality

Management does not regard the business as seasonal. Changes in quarterly revenues in Bipolar Discrete units and Power Modules generally reflect the customers' operational needs or the lead time for key raw materials. In the case of Power Electronic Assemblies and Integrated Circuits, small numbers of large contracts drive both these segments. The delivery of a large contract in a particular quarter can cause revenue to fluctuate significantly, giving the appearance of seasonality.

Liquidity & Capital Resources

As a result of the profit for the quarter, the surplus on shareholders' funds that existed at the end of 2007 has been increased significantly and now stands at $2.9 million.

As a result of the strong earnings figure for the quarter, the total borrowings of the Company have fallen by $1.2 million. Moreover, a further $860,000 of long term debt has been approved for conversion into equity. The conversion should be completed during the second quarter.

Management is planning significant capital expenditure during 2008 to improve efficiency and to provide additional capacity to meet customer orders and to enable further growth of the business. Various alternatives are currently being explored for financing this expenditure. The proposed acquisition of the Company by Zhuzhou CSR Times Electric Co., Ltd., which means that Dynex will become part of a larger group, provides our preferred solution to this need.

The Company has capital commitments at the quarter end of $681,000 mainly for the purchase of new fabrication equipment for bipolar products, new DI plant and new chillers. The purchases will be paid for through leasing and a small amount of cash.

The Company had no off balance sheet financing arrangements at the quarter end.

Selected Financial Information

	Quarterly Figures								Annual Figures		
	2008	2007	2007	2007	2007	2006	2006	2006	2007	2006	2005
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	FY	FY	FY
Revenue	8,084	7,656	8,706	6,630	7,163	6,671	5,707	5,253	30,155	23,713	22,761
Net earnings/(loss)	1,171	1,106	915	189	(38)	423	(132)	(629)	2,172	(273)	(1,788)
Basic EPS	0.04	0.03	0.03	0.01	(0.00)	0.01	(0.00)	(0.02)	0.07	(0.01)	(0.07)
Diluted EPS	0.03	0.03	0.03	0.01	(0.00)	0.01	(0.00)	(0.02)	0.06	(0.01)	(0.07)
Total assets	15,083	15,087	14,763	13,094	13,377	13,652	12,058	10,923	15,087	13,652	12,798
Long term liabilities	3,844	3,726	3,908	4,165	4,449	4,841	4,494	4,401	3,726	4,841	4,444
Cash Dividends declared	0	0	0	0	0	0	0	0	0	0	0

Selected quarterly financial information (taken from the unaudited quarterly reports) and annual information (taken from the annual reports) is presented above. All figures have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in thousands of Dollars except for earnings per share figures (EPS) which are stated in Dollars per share. The figures for long term liabilities do not include deferred revenues, as these are not a liability of the Company and will not give rise to a cash outflow.

Annual revenue in Dollars rose only slightly between 2005 and 2006 and then grew significantly in 2007 and the first quarter of 2008, suggesting a recent improvement in sales volumes. However, when viewed in Sterling terms, in which all revenues are initially recorded, revenue grew by over 10% in 2006, indicating an earlier start to the volume growth. The pace of growth then increased with revenue in 2007 rising by 24% compared to 2006 with the first quarter of 2008 at 7% higher than 2007 on an annualised basis. Quarterly revenues are more volatile but the general upward trend is still quite discernible.

The reduction in the annual loss between 2005 and 2006 and the move into profitability in 2007 is encouraging and clearly shows the impact of long-term cost reduction initiatives and of revenue growth. This trend has been extended into 2008. The same trend is evident in the quarterly earnings figures. The net losses in the second quarter of 2006 were expected and were a direct result of the lower revenue. An improvement was seen in the third quarter with a return to profit in the fourth quarter. A small loss was reported in the first quarter of 2007. The return to profitability in the second quarter of 2007 came one quarter earlier than expected. There was a significant improvement in profitability in the third and fourth quarters of 2007 and the first quarter of 2008 reflecting the higher revenues and a better product mix.

Risk Management

The level of worldwide demand for power semiconductors and power semiconductor assemblies is one of the key uncertainties for the Company. Demand was at a relatively low level during 2002 and 2003. The incidence of widespread power blackouts, the rising cost of energy and the global plan to reduce carbon emissions have led to widespread discussion of the need for significant investment in power electronic equipment, electrification of transport systems, alternative power generation and high quality power transmission and distribution. Investments in such areas over the last couple of years are benefiting the Company. The failure to continue with this investment would be detrimental to the future of the business.

Worldwide demand for silicon has risen sharply of late, mainly driven by the demands of the solar power industry. Any shortage in supply of silicon is likely to have a direct impact on costs and the volume of business that the Company can carry out.

As disclosed in the Financial Statements, the Company has one customer accounting for 21% of revenue and one customer accounting for 13% of revenue during the quarter. Our relationship with these two customers and all our other customers and suppliers remains good.

The Company has one customer at March 31st, 2008 that accounted for 16% of accounts receivable and one customer that accounted for 11% of accounts receivable.

Although the Company buys some materials in continental Europe, the Far East and North America, the bulk of its costs are incurred in Sterling. However, it sells into world markets with many sales denominated in Euros and US dollars. As a consequence, the Company's results are affected by changes in exchange rates between these currencies. Management monitors these exposures but does not believe that it would be beneficial to hedge them at the present time. The need to undertake such hedging is reviewed from time to time.

The Company's operating business is in Lincoln, England and the majority of its assets, liabilities, revenues, expenses and cash flows take place and are recorded in Sterling. These values have to be translated to Dollars for inclusion in the consolidated financial statements of the Company. Movements in the Dollar-Sterling exchange rate directly affect such values. The Company does not hedge such exposures.

Financial Instruments & Other Instruments

The Company does not use financial instruments or other instruments to manage its risks.

Government Assistance

The Company accrued for grants totalling $138,000 during the quarter from the European Union and the British Government to assist in its research and development activities and a grant of $2,000 in the form of an interest free loan to purchase energy saving equipment.

Related Party Transactions

The Company incurred expenses of $20,000 in the quarter in respect of fees payable to Directors. As at March 31st, 2008 a total of $20,000 was payable to Directors in respect of their fees.

The Company has loans from two Directors totalling $3.6 million, which bear interest at rates between 7% and 10% per annum compounded monthly. Repayment of these loans is scheduled to take place between January 2009 and December 2011. The Company incurred an interest expense in the quarter of $85,000 in relation to these loans.

The Company retains a business law firm in Canada to provide legal services and advice. During the quarter, this firm was paid $40,000 in fees and expenses. One of the Company's independent directors is a partner of this firm.

Business Development

Revenue in Sterling terms in the quarter was at a high level and just 1% below the record level recorded in the third quarter of 2007. Revenue is expected to rise further in the second quarter and although it will probably fall back after that, management is growing increasingly confident that a good level of revenue will be recorded in the second half of the year. Consequently, for 2008 as a whole, revenue and profit are expected to be better than those reported in 2007.

Order Book

At the end of March, the order book stood at $28.5 million, another record figure for Dynex.

Changes in Accounting Policies

The CICA has issued two new accounting policies that came into effect for fiscal years beginning on or after October 1st, 2006 and which affect the Company's financial statements. Section 1530 of the CICA Handbook, Comprehensive Income deals with the change in net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. Section 3855, Financial Instruments-Recognition and Measurement requires that most financial assets, some financial liabilities and all derivative financial instruments be measured at fair value.

On 1st January 2008, the CICA introduced four new accounting standards. Section 1535 of the CICA Handbook, Capital Disclosures deals with the need to disclose information on the Company's capital and how it is managed. Section 3031 Inventories prescribes the accounting treatment for inventories. Sections 3862 Financial Instruments - Disclosures and Section 3862 Financial Instruments – Presentation sets out further information to be disclosed in relation to financial instruments.

All of these new accounting policies have been taken into account in the preparation of these financial statements.

Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Controls

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

During the quarter and during the year ended December 31st, 2007, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to affect materially the Company's internal control over financial reporting.

Subsequent Events

At a Special Meeting of Shareholders of the Company held on January 30, 2008, the shareholders approved the conversion of $885,902 of the convertible debt into 6,250,221 Common Shares of the Company. The Company has received final approval of the TSX Venture Exchange for these changes and the issuance of 6,250,221 Common Shares will be completed shortly.

As the Company is currently in discussion with Zhuzhou CSR Times Electric Co., Ltd. about a possible acquisition of the Company, the Independent Directors agreed in April to extend the expiry date of the 150,000 stock options due to expire on April 27th, 2008 in order to prevent them being exercised during a blackout period. The options will expire 10 days after the current blackout period ends.

On May 8th, 2008 the Company announced that it had received firm orders for Euros 4.4 million for the supply of bipolar parts for delivery in 2008 and 2009 and that it expected the total order to be in excess of Euro 6.5 million. The Company also announced that it had agreed a £750,000 unsecured subordinated loan facility with two of its directors which would enable it to accelerate the capital expenditure necessary to provide the additional capacity necessary to fulfil these orders. Any drawings under this facility would bear interest at 8.5%per annum.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com

Bob Lockwood.
Director and Chief Financial Officer
26 May 2008

DYNEX POWER INC.
Consolidated Statements of Earnings (Loss) and Deficit (Unaudited)
Quarters Ended March 31st, 2008 and 2007

	3 months Mar 31st 2008	3 months Mar 31st 2007
Revenue	**$ 8,084,138**	$ 7,162,598
Cost of sales	**5,535,333**	5,930,965
Gross margin	**2,548,805**	1,231,633
Expenses		
General and administration	**901,471**	642,765
Sales and marketing	**223,924**	325,904
Research and development (Note 4)	**212,469**	144,545
Interest expense (Note 10)	**172,220**	214,738
	1,510,084	1,327,952
Earnings (loss) before other income	**1,038,721**	(96,319)
Other income		
Interest and other income	**46,569**	51,584
Foreign exchange gain	**85,601**	5,877
	132,170	57,461
Income taxes (Note 5)	**-**	-
NET EARNINGS (LOSS)	**1,170,891**	(38,858)
DEFICIT, BEGINNING OF PERIOD, as originally stated	**(11,730,827)**	(14,098,044)
Adjustment to deficit, beginning of period (Note 2)	**-**	195,714
DEFICIT, END OF PERIOD	**$ (10,559,936)**	$ (13,941,188)
Earnings (Loss) per share		
Basic	**$ 0.04**	$ (0.00)
Diluted (Note 6)	**$ 0.03**	$ (0.00)
Weighted average number of shares		
Basic	**33,348,562**	33,224,757
Diluted (Note 6)	**41,678,582**	33,224,757

These financial statements should be read in conjunction with the notes set out on pages 15 to 28

DYNEX POWER INC.
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
Quarters Ended March 31st, 2008 and 2007

		3 months Mar 31st 2008		3 months Mar 31st 2007
Net earnings (loss)	**$**	**1,170,891**	$	(38,858)
Other Comprehensive income (loss), net of tax:				
Unrealized profit (loss) on translating financial statements of self-sustaining foreign operations		**112,129**		(5,930)
OTHER COMPREHENSIVE INCOME (LOSS)		**112,129**		(5,930)
COMPREHENSIVE INCOME (LOSS)	**$**	**1,283,020**	$	(44,788)

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

		Mar 31st 2008		Dec 31st 2007
Accumulated other comprehensive loss, beginning of period	**$**	**(760,787)**	$	(563,234)
Other comprehensive income (loss)		**112,129**		(197,553)
ACCUMULATED OTHER COMPREHENSIVE LOSS	**$**	**(648,658)**	$	(760,787)

Accumulated other comprehensive income consists entirely of translation adjustments.

These financial statements should be read in conjunction with the notes set out on pages 15 to 28.

DYNEX POWER INC.
Consolidated Balance Sheets (Unaudited)
As At March 31st, 2008 and December 31st, 2007

		Mar 31st 2008		Dec 31st 2007
CURRENT ASSETS				
Cash	$	256,205	$	140,867
Accounts receivable		4,364,980		5,743,050
Inventories (Note 7)		8,456,558		7,521,573
Prepaid expenses and deposits		632,200		597,805
		13,709,943		14,003,295
PROPERTY, PLANT AND EQUIPMENT (Note 8)		1,373,427		1,083,540
	$	15,083,370	$	15,086,835
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	4,262,310	$	4,346,095
Short-term loan (Note 9)		2,471,814		3,814,585
Current portion of long-term debt (Note 10)		403,841		279,768
Current portion of deferred revenue (Note 11)		157,688		151,942
		7,295,653		8,592,390
LONG-TERM DEBT (Note 10)		3,440,557		3,446,595
LONG-TERM DEFERRED REVENUE (Note 11)		1,419,197		1,405,465
		12,155,407		13,444,450
SHAREHOLDERS' EQUITY				
Share capital (Note 12)		14,136,557		14,133,999
Deficit		(10,559,936)		(11,730,827)
Accumulated other comprehensive loss (Note 2)		(648,658)		(760,787)
		2,927,963		1,642,385
	$	15,083,370	$	15,086,835

These financial statements should be read in conjunction with the notes set out on pages 15 to 28.

DYNEX POWER INC.
Consolidated Statements of Cash Flows (Unaudited)
Quarters Ended March 31st, 2008 and 2007

	3 months Mar 31st 2008	3 months Mar 31st 2007
OPERATING		
Net earnings (loss)	**$ 1,170,891**	$ (38,858)
Items not affecting cash		
Amortization	**44,051**	71,475
Gain on disposal of property, plant and equipment	**(38,406)**	(55,581)
Shares and options issued for services (Note 12)	**2,558**	42,744
Non-cash interest (Note 2)	**26,483**	51,392
Non-cash grant income (Note 2)	**(2,355)**	(13,977)
Provision for inventory obsolescence (Note 7)	**326,995**	(164,940)
Changes in non-cash operating working capital (Note 13)	**360,593**	692,204
	1,890,810	584,459
FINANCING		
Decrease in short-term loan	**(1,448,693)**	(74,081)
Decrease in long-term debt	**(46,430)**	(43,014)
	(1,495,123)	(117,095)
INVESTING		
Proceeds of disposal of property, plant and equipment	**-**	11,420
Purchase of property, plant and equipment	**(286,541)**	(276,290)
	(286,541)	(264,870)
NET INCREASE IN CASH	**109,146**	202,494
Effect of foreign currency translation on cash	**6,192**	(5,748)
Cash, beginning of period	**140,867**	357,042
CASH, END OF PERIOD	**$ 256,205**	$ 553,788
Supplementary Information:		
Interest paid during period	**$ 118,874**	$ 160,020
Income taxes paid during period	**-**	-

These financial statements should be read in conjunction with the notes set out on pages 15 to 28.

1. DESCRIPTION OF BUSINESS

The Company is engaged in the design and manufacture of industrial power equipment.

2. ADOPTION OF NEW ACCOUNTING POLICIES

On January 1st, 2007 the Company adopted the following new accounting standards in accordance with their transitional provisions. Any changes in measurement resulting from applying the new standards on January 1st 2007 has been recorded against Deficit or opening Accumulated Other Comprehensive Income with no impact on net income for the year.

Comprehensive income

A new statement has been included of Comprehensive Income. Comprehensive Income includes net earnings, as reported in the profit and loss account, and other comprehensive income. Other Comprehensive Income includes changes in net assets other than from transactions with shareholders. Such changes are now reported separately from the net earnings. In particular, the unrealised gain or loss on translating the financial statements of self-sustaining foreign operations is reported as part of other comprehensive income. At December 31, 2006, $415,092 of cumulative translation adjustment was reclassified as accumulated other comprehensive income (loss).

Financial instruments

All financial assets and liabilities are now required to be recorded on the balance sheet. Initial recognition of financial assets and liabilities is at fair value. Subsequent measurement of the financial assets and liabilities is dependent on their classification. The Company has made the following classifications.

Cash is classified as a financial asset held for trading and is measured at fair value at the balance sheet date. Any fluctuations in the fair value are included in other income.

Accounts receivable are classified as loans and receivables and are valued at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, short term loans and long term debt are classified as other liabilities and are valued at amortized cost using the effective interest rate method.

On January 1st, 2007 the Company had one interest free loan that required revaluing to meet the new policy. An amount of $12,500 was debited to the loan and credited to the opening deficit to reflect the amounts that will be charged to interest expense over the then remaining life of the loan in accordance with the effective interest rate method.

On January 1st, 2007 the following adjustments were made to reflect the impact of the valuation of the conversion feature associated with the convertible debt: an amount of $376,099 was debited to the loan account, $183,214 was credited to the opening deficit and $192,885 was credited to share capital.

Settlement date accounting, which is the recognition of an asset on the day it is received and the derecognition of an asset and recognition of any gain or loss on disposal on the day it is delivered by the Company, is used.

2. ADOPTION OF NEW ACCOUNTING POLICIES (continued)

On January 1st, 2008 the Company adopted the following new accounting standards in accordance with their transitional provisions. The adoption of these standards has not required any adjustment to the opening figures nor have they had any impact on the results for the year.

Inventories

On January 1st, 2008 the Company adopted the new accounting standard on inventories. Adoption of this new standard has had no material impact on the valuation of the Company's inventory.

Financial Instruments

On January 1st 2008, the Company adopted the new accounting standards on financial instrument disclosure and financial instrument presentation. Information to meet these two new standards is set out in Notes 16 and 17.

Capital Disclosures

On January 1st, 2008 the Company adopted the new accounting standard on capital disclosures. A discussion of what management regards as capital and its objectives in managing its capital is set out in Note 18.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies

The consolidated financial statements presented here are prepared using the same accounting policies as were used last year, details of which are set out in the Annual Report for 2007, apart from the changes discussed in Note 2 above, and are in accordance with Canadian generally accepted accounting principles. These interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31st, 2007.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Dynex Semiconductor Limited and Dynex SARL, and are prepared in accordance with Canadian generally accepted accounting principles. All intercompany transactions and balances have been eliminated. Dynex SARL was closed during 2007 and thus no values for it are included in the balance sheet at March 31st, 2008 or December 31, 2007 or in the profit and loss account for the current quarter.

Currency of reporting

All figures are in Canadian dollars except as otherwise stated.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period presented. Examples of such estimates include the anticipated useful lives of property, plant and equipment, the provisions required against inventory and accounts receivable, the fair value of financial liabilities and assets, stock based compensation and warranties. Actual results could differ from the estimates made by management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Raw materials and work in progress are valued at the lower of cost and replacement cost, and finished goods at the lower of cost and net realizable value. Raw materials are valued at standard cost that accurately reflects their purchase cost. Work in progress and finished goods are valued at the standard cost of direct materials and labour plus allocated overheads. Inventory obsolescence is provided for if raw materials have not moved in six months and if work in progress or finished goods have not moved in three months unless the Company has orders or a realistic expectation of orders for those parts.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Amortization is calculated using the straight-line method over the anticipated useful lives of the assets as follows:

Equipment	3 - 8 years

Property, plant and equipment is tested for recoverability whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognised when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. To date, no such impairment losses have been recognised.

Long-term debt

Long-term debt is valued at amortized cost with interest accretion recorded in net income.

Deferred revenue

The gain on the sale and leaseback of the land and buildings (Note 11) is being amortized over the 15 year minimum term of the resulting lease.

Revenue recognition

The Company recognizes revenues from sales to end-customers and to its distributors at the time title passes provided that all significant contractual obligations, including customer acceptance, have been satisfied and collection is reasonably assured. Any potential for warranty claims is provided for at the time of sale, based on warranty terms and prior claims experience.

Foreign currency translation

The Company considers its wholly owned subsidiaries, Dynex Semiconductor Limited and Dynex SARL (until its closure in 2007), to be self-sustaining subsidiaries and the accounts in foreign currency are translated into Canadian dollars using the current rate method of foreign currency translation. Under this method, assets and liabilities are translated at the exchange rate in effect as of the balance sheet date and income and expense items are translated at the average exchange rate for the period. Net unrealized exchange adjustments arising on translation of foreign currency are included in Accumulated Other Comprehensive Income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

Research costs are expensed as incurred. Expenditures for research and development equipment are capitalized. Development costs are expensed as incurred, unless the criteria for deferral under generally accepted accounting principles are met. To date, no such costs have been capitalised.

Income taxes

The Company and its subsidiaries account for income taxes using the liability method. Under this method, current income taxes are recognized for estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities. Tax assets for the benefits of tax losses available to be carried forward to future years are recognised when management believes they are likely to be realized.

Stock-based compensation

The fair value of stock options granted to employees is calculated using the Black-Scholes pricing model. The resulting fair value is charged to General and Administrative Expenses over the period to the vesting date of the options.

Warrants and conversion rights

The fair value of warrants and conversion rights relating to loans is calculated using the Black-Scholes pricing model. The resulting fair value is charged to interest expense over the life of the loans using the effective interest method.

4. RESEARCH & DEVELOPMENT

The Company accrued for grants totalling $137,636 in the quarter ended March 31st, 2008 (Mar 31st, 2007 - $150,893) from the European Union and the British Government to assist in its research and development activities. These grants paid for specific work carried out under agreed research and development programmes. The income received has been credited against research and development expenses.

5. INCOME TAXES

The provision for income taxes reported differs from the amount computed by applying the Canadian statutory rate to earnings before income taxes for the following reasons:

		3 months Mar 31st 2008		3 months Mar 31st 2007
Earnings (loss) before income taxes	**$**	**1,170,891**	$	(38,858)
Expected tax provision (recovery) at enacted rates		**422,926**		(14,028)
Increase (decrease) resulting from unrecorded benefit of tax loss		**(422,926)**		(372)
Permanent differences				14,400
	$	**-**	$	-

The Canadian statutory tax rate of 36.12% (Mar 31st, 2007 – 36.12%) comprises Federal income tax at approximately 22.12% (Mar 31st, 2007 – 22.12%) and Provincial income tax at approximately 14% (Mar 31st, 2007 – 14%). The United Kingdom statutory rate is 28% (Mar 31st, 2007 – 30%).

As at March 31st, 2008 the Company has undeducted research and development expenditures of approximately $43,000 (Dec 31st, 2007- $43,000) which are available without expiry to reduce future years' Canadian Federal and Provincial taxable income.

As at March 31st, 2008 the Company also has Canadian tax loss carry forwards available to reduce future years' income for tax purposes. These loss carry forwards expire as follows:

Year of expiry	Provincial	Federal
2008	**$ 421,000**	**$ 421,000**
2010	**688,000**	**688,000**
2014	**109,000**	**109,000**
2015	**498,000**	**498,000**
2026	**260,000**	**260,000**
2027	**521,000**	**521,000**
2028	**101,000**	**101,000**
	$ 2,598,000	**$ 2,598,000**

With effect in the tax year ending December 31st, 2008, all tax balances will convert to the federal tax balance. The Company's federal tax balance exceeds its provincial tax balance. The difference will result in an insignificant Ontario tax liability in 2009.

As at March 31st, 2008 the Company has United Kingdom tax loss carry forwards of approximately £2,259,000 ($4,606,000) (Dec 31st, 2007- £2,870,000 ($5,640,000)) available to reduce future years' income for tax purposes. These tax loss carry forwards have no expiry date.

The potential future income tax benefits related to the above items have not been recorded in the financial statements.

6. EARNINGS PER SHARE

For the quarter ended March 31st, 2008 there were no shares that could potentially dilute basic earnings per share in future but which were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive (Mar 31st, 2007 – 1,108,442).

7. INVENTORIES

	Mar 31st 2008	Dec 31st 2007
Raw materials	**$ 2,469,108**	$ 2,176,777
Work in progress	**4,749,838**	4,511,806
Finished goods	**1,237,612**	832,990
	$ 8,456,558	$ 7,521,573

Inventory is stated net of a provision of $5,462,933 (Dec 31st, 2007 - $5,135,938) for obsolescence. During the quarter $629,898 (March 31st, 2007 - $928,921) of provisions were released and $663,888 (March 31st, 2007 - $761,446) of new provisions were created. The remainder of the change in provision in the quarter arose from a weakening in the value of the Dollar compared to Sterling in which all provisions are held in the books of the operating company. In the corresponding quarter of 2007 there had been a small strengthening of the Dollar. The new provisions arose in respect of inventories that had not moved for the periods set out in Note 2 and the releases arose where products that had not previously moved for those periods had moved in the quarter.

During the quarter $4,679,723 of inventory was charged to cost of sales (March 31st, 2007 - $4,682,149)

8. PROPERTY, PLANT AND EQUIPMENT

	Cost	**Accumulated Amortization**	**Net Book Value**
Mar 31st, 2008			
Equipment	**$ 3,329,956**	**$ 1,956,529**	**$ 1,373,427**
Total	**$ 3,329,956**	**$ 1,956,529**	**$ 1,373,427**
Dec 31st, 2007			
Equipment	$ 2,969,890	$ 1,886,350	$ 1,083,540
Total	$ 2,969,890	$ 1,886,350	$ 1,083,540

9. SHORT-TERM LOAN

The Company has a short-term loan of $2,471,814 (Dec 31st, 2007 - $3,814,585) secured by a first charge on all property, plant and equipment, inventories, cash and accounts receivable. These items have a combined carrying value of $14,451,170 (Dec 31st, 2007 $14,489,030). The loan is repayable on demand. During the quarter the Company borrowed Sterling at an average interest rate of approximately 7.7% (Mar 31st, 2007 – 7.4%), US Dollars at an average rate of approximately 5.8% (Mar 31st, 2007 – 7.3%) and Euros at an average rate of approximately 6.2% (Mar 31st 2007 – 5.7%).

10. LONG-TERM DEBT

	Mar 31st 2008	Dec 31st 2007
Interest free unsecured loan with a face value of $87,775 payable in monthly instalments of $3,511 to April 2010 (see Note 2).	**$ 74,798**	$ 79,399
Interest free unsecured loan with a face value of $20,267 payable in monthly instalments of $579 to February 2011 (see Note 2).	**17,850**	-
Loans from individual shareholders payable in monthly instalments of $25,110 to October 2008, bearing interest at 10% per annum and secured by a general security agreement. A total of $45,455 of these loans is convertible into 129,870 shares at a conversion price of $0.35 per share at any time prior to the repayment date at the option of the lender (See Note 2).	**200,885**	248,866
Loans from two directors with a face value of $2,487,458. $885,902 of this amount is in the process of being converted into shares in the Company. The remainder of the debt is repayable in monthly instalments of $44,488 between January 2009 and December 2011, bearing interest at 7% per annum and secured by a general security agreement. Following the conversion currently taking place $875,222 remains convertible at the option of the lenders at any time prior to its repayment into 6,174,873 shares at a price of $0.1585 per share (see Note 2 and 23).	**2,327,526**	2,219,338
Loan from a director payable in monthly instalments of $33,982 between January 2009 and December 2011 bearing interest at 10% per annum and secured by a general security agreement.	**1,223,340**	1,178,760

		3,844,399		3,726,363
Current portion		**403,841**		279,768
	$	**3,440,557**	$	3,446,595

Principal payments

Principal payments required in each of the next four years are:

Under 1 year	**$**	**403,841**
1-2 years		**935,429**
2-3 years		**921,263**
3-4 years		**1,583,866**
	$	**3,844,399**

Interest expense

Total interest expense on long-term debt for the quarter ended March 31st, 2008 was $93,937 (Mar 31st, 2007 - $145,135).

11. DEFERRED REVENUE

On March 25th, 2003 the Company's subsidiary entered into a sale and leaseback of its Lincoln, England land and buildings. The gain realized on the sale has been deferred. Amortization of this gain, amounting to $38,406, is included in other income for the quarter ended March 31st, 2008 (Mar 31st, 2007 - $44,161).

12. SHARE CAPITAL

Authorized:
An unlimited number of common shares.
An unlimited number of preferred shares issuable in series.

Issued:
The movement in the Company's issued and outstanding common shares is summarized below:

	Mar 31st 2008	Dec 31st 2007		**Mar 31st 2008**		Dec 31st 2007
	No of shares	No of shares				
Share Capital at start of the period	**33,348,562**	32,767,609	**$**	**14,133,999**	$	13,888,690
Adjustment to share capital at start of period (see Note 2)	**-**	-		**-**		192,885
Adjusted share capital at start of period	**33,348,562**	32,767,609		**14,133,999**		14,081,575
Shares issued for cash	**-**	9,523		**-**		762

Shares issued for services	**-**	571,430		**-**		40,000
Stock based compensation re employee options	**-**	-		**1,445**		7,210
Stock based compensation re loans	**-**	-		**1,113**		4,452
Share Capital at the end of the period	**33,348,562**	33,348,562	**$**	**14,136,557**	$	14,133,999

The Company has no issued and outstanding preferred shares.

Common share transactions

On January 18th, 2007 the Company issued 571,430 shares to the independent directors who are related parties for their services in the second half of 2006 under the Independent Directors' Share Plan at a price of $0.07 per share.

On August 14th, 2007 the Company issued 9,523 shares to an employee at $0.08 per share following an exercise of an option under the Company's stock option plan.

12. SHARE CAPITAL (Continued)

Independent Directors' Share Plan

The Independent Directors' Share Plan was adopted by the Board and shareholders in 2002. Under the plan, directors who are not employees are entitled to receive some or all of their remuneration in the form of common shares. When taking their fees in this way, the issue price of the shares is taken as the average trading price of the first 20 days of the year to which the fees relate.

Warrant transactions

During 2007 and 2008 warrants to acquire 227,273 shares at $0.35 per share lapsed. There are warrants outstanding to acquire 129,870 shares at the option of the holders, at $0.35 per share any time before October 2008.

Stock option plan

A total of 2,657,316 (Dec 31st, 2007 – 2,657,316) of the common shares of the Company outstanding from time to time are reserved for the issuance of stock options pursuant to the Company's stock option plan. Generally, options granted under the plan vest evenly over a three-year period commencing one year from the date of grant and expire five years from the date of the grant. Options are not assignable. The movements in stock options are summarized below:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31st, 2006	800,000	$ 0.11
Exercised	(9,523)	0.08
Outstanding at December 31st, 2007	790,477	0.11
Issued	150,000	0.30

Outstanding at March 31st, 2008	**940,477**	**$**	**0.14**

The weighted average remaining life of the outstanding options is 2 years and 6 months (Dec 31st, 2007 - 2 years and 5 months). At March 31st, 2008 there are 573,810 options exercisable with a weighted average exercise price of $0.12 and a weighted average remaining life of 2 years (Dec 31st, 2007 – 573,810 options exercisable with a weighted average exercise price of $0.12 and with a weighted average remaining life of 2 years and 3 months).

At March 31st, 2008 the following stock options are outstanding:

	Grant Date	Expiry Date	Number of Options		Exercise Price
Officers	April 28, 2003	April 27, 2008	150,000	$	0.23
	Nov 30, 2005	Nov 29, 2010	550,000		0.08
	Dec 10, 2007	Dec 9, 2012	100,000		0.30
	Feb 12, 2008	Feb 11, 2013	50,000		0.30
All other employees	Nov 30, 2005	Nov 29, 2010	90,477		0.08
Total outstanding			**940,477**	**$**	**0.14**

12. SHARE CAPITAL (Continued)

Stock-based compensation

As a result of accounting for stock based compensation related to options granted to employees using the fair-value based method, the Company recorded $1,445 of stock based compensation in general & administrative expenses in the quarter ended March 31st, 2008 (Mar 31st, 2007 - $1,898). The assumptions used in calculating these values reflected the conditions at the time each of the options was issued. The assumptions on annualised volatility ranged between 58% and 85% and on the annual discount rate ranged between 2.5% and 3%.

13. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

		3 months Mar 31st 2008		3 Months Mar 31st 2007
Accounts receivable	**$**	**1,553,894**	$	434,804
Inventories		**(960,744)**		(8,295)
Prepaid expenses and deposits		**(11,756)**		421,153
Accounts payable and accrued liabilities		**(220,801)**		(155,458)
	$	**360,593**	$	692,204

14. COMMITMENTS

Minimum operating lease commitments over the next five years are as follows:

2008	**$**	**450,750**
2009		**592,274**

2010	**577,270**
2011	**567,275**
2012	**567,275**
	$ 2,754,844

15. ECONOMIC DEPENDENCE

For the quarter ended March 31st, 2008 the Company had one customer accounting for 21% of revenue and one customer accounting for 13% of revenue (Mar 31st, 2007 - no customers accounting for more than 10% of revenue).

At March 31st, 2008 the Company had one customer accounting for 16% of accounts receivable and one customer accounting for 11% of accounts receivable (Dec 31st, 2007 – one customer accounting for 19% of accounts receivable and one customer accounting for 13% of accounts receivable).

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market Risk

The Company is exposed to foreign currency fluctuations on its cash balances, accounts receivable, accounts payable and accrued liabilities, short term loans and long term debt. At the end of March 2008, the split of these financial instruments by currency was as follows:

$'000	Total	$	GBP	Euro	US$	JPY
Cash	256		256			
Accounts receivable	4,365		1,729	1,407	1,229	
Accounts payable and accrued liabilities	(4,262)		(3,869)	(108)	(222)	(63)
Short term loans	(2,472)		(792)	(829)	(851)	
Long term debt	(3,844)	(111)	(3,733)			
Net total	(5,957)	(111)	(6,409)	470	156	(63)

A 10% increase (decrease) in the value of Sterling against all the other currencies at the end of the quarter would have deceased (increased) the profit for the quarter by approximately $58,000. The Company does not hedge these exposures, as the net exposure is quite small, but it keeps the need to monitor them under review.

A 10% increase (decrease) in the value of the dollar against Sterling at the end of the quarter would have decreased (increased) other comprehensive income by approximately $585,000. The Company does not hedge this exposure as a matter of principle, believing that an investor in the Company has made a positive decision to invest in a UK based operating business.

The Company is exposed to interest rate risk on its short-term debt, which is borrowed on variable rate terms. A one percentage point increase (decrease) in sterling, Euro and US$ interest rates would decrease (increase) profit by approximately $2,000 in each case in the quarter.

Credit Risk

The Company is exposed to credit risk in relation to the $4.4 million of accounts receivable and the $265,000 of cash balances.

The majority of the Company's accounts receivable is due from customers with whom the Company has had a business relationship for many years. Over the last five years the Company has suffered bad debt losses of less than $60,000.

The ageing of the Company's accounts receivable at March 31st, 2008 was as follows:

Ageing of account receivable	$'000
Not yet due	3,274
Less than one month overdue	995
Between one and two months overdue	135
Greater than two months overdue	16
Less provision for doubtful debts	(55)
Net total	4,365

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit Risk (continued)

The cash is held by the Company's bankers. Over the last five years, the Company has not suffered any loss in relation to cash held by bankers.

The Company's maximum exposure to credit risk is equal to the carrying value of cash and accounts receivable as set out on the balance sheet.

Liquidity Risk

The Company generally makes one major payment run each week. At the 31st March, 2008 none of the Company' accounts payable was overdue by more than one week. The vast majority of accounts payable fall due for payment within one month. Accrued liabilities are generally due after more than one month and in many cases it may not yet be possible to determine the contractual date for payment.

The Company seeks to ensure that it has adequate access to liquidity to meet all its obligations as they fall due. The Company believes that the short term uncommitted borrowing facility will remain available to the Company and following frequent contact with the supplier of that facility, management has no reason to believe that it will not remain available. In relation to long term debt, management believes it can repay all the smaller facilities as they fall due (and indeed is currently meeting those repayment schedules) out of its cash flow. Management also believes that the loans provided by the directors of the Company can be rescheduled if necessary. Such rescheduling has in fact taken place on several occasions in the past. At the present time, the Company is planning significant capital expenditure and has already committed to some of the purchases. The Company believes that its own cash flow plus new leasing facilities it is currently negotiating will supply the liquidity necessary for these plans, but for additional security a new undrawn loan facility of £750,000 has been negotiated with two of its directors. The Company also believes that the discussions taking place for the acquisition of the Company by the Zhuzhou CSR Times Electric Co., Ltd. will provide access to additional funds for future expansion should that be necessary.

17. FAIR VALUES

The fair value for accounts receivable, accounts payable and accrued liabilities and short-term loans approximates their carrying value because of the short maturity of these instruments.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Company's current estimated borrowing rate for loans with similar terms and conditions.

The fair value of interest free loans at March 31st, 2008 was $92,648 (Dec 31st, 2007 – 87,902) based on the Company's current borrowing rate.

The fair values of the loans from individual shareholders and the loan from a director are the same as their carrying value at March 31st, 2008 and December 31st, 2007 as the loans reflect the current borrowing rates for the Company.

The fair values of the loans from two directors at March 31st, 2008 was $2,327,526 (Dec 31st, 2007 - $2,155,168) based on the Company's current borrowing rate.

18. CAPITAL MANAGEMENT

The Company considers that its capital consists of the value of shareholders' equity plus the deferred revenue.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to provide its shareholders with an adequate return on capital. Management believes at the current time, and bearing in mind its current investment plans, that the debt to equity ratio is too high and is therefore seeking to increase shareholders equity, primarily through retaining earnings, in order to reduce this ratio.

The Company is not subject to any externally imposed capital requirements.

19. BUSINESS SEGMENT INFORMATION

Business area

The business operates in four distinct product areas – high power bipolar discrete devices, high power modules, power electronic assemblies (the design and assembly of power devices into stacks) and high reliability integrated circuits. The product manufacturing for these areas is supported by common infrastructure at the Company's Lincoln, England facility. As at March 31st, 2008 the Company does not segregate assets or other balance sheet accounts by product area nor does the Company measure operating profits by these areas. The Company evaluates performance and allocates resources based on revenue by product area.

Geographic area

The destination of sale (the location of the customer) of revenues and the location of tangible assets determine the geographic areas.

		3 months Mar 31st 2008		3 months Mar 31st 2007
Revenue:				
Business segment				
Bipolar Discrete Group	**$**	**3,815,526**	$	4,106,640
Power Modules Group		**1,312,961**		1,160,259
Power Electronic Assemblies		**1,223,576**		1,240,198
Integrated Circuits		**1,732,075**		655,501
	$	**8,084,138**	$	7,162,598
Geographic area				
Canada	**$**	**53,561**	$	16,696
UK		**802,358**		1,753,040
France		**2,846,723**		1,140,617
USA		**2,046,793**		1,306,319
Other		**2,334,703**		2,945,926
	$	**8,084,138**	$	7,162,598

All property, plant and equipment of the Company is located in the UK.

20. RELATED PARTY TRANSACTIONS

The Company incurred expenses in the quarter of $20,000 (Mar 31st, 2007 - $20,000) with respect to fees payable to directors. As at March 31st, 2008, $20,000 is payable to directors (Dec 31st, 2007 - $40,000). The directors' fees are recorded at the negotiated amounts.

A total of 571,430 common shares was issued at $0.07 to the independent directors on January 18th, 2007 in payment of their fees for the period July 1st, 2006 to December 31st, 2006.

The Company has loans from two directors totalling $3,550,866 (Dec 31st, 2007 - $3,398,098). Full details of these loans are set out in Note 10.

The Company incurred interest expenses in the quarter ended March 31st, 2008 of $85,532 (Mar 31st, 2007 - $125,551) relating to loans from two directors.

The Company retains a business law firm in Canada to provide legal services and advice. During the quarter ended March 31st, 2008, this firm was paid $40,252 (Mar 31st, 2007 - $16,112) in fees and expenses. One of the Company's independent directors is a partner of this firm.

21. PENSION PLAN

The Company incurred expenses of $87,322 (Mar 31st, 2007 - $98,279) with respect to a defined contribution pension plan in place at Dynex Semiconductor Limited.

22 CONTINGENCIES

Under the terms of a Letter of Intent between the Company and Zhuzou CSR Times Electric Co., Ltd., the Company may have to pay a break fee to CSR Times Electric if the Company closes an offer from another party to acquire the Company, or if it refuses to execute a mutually agreed support agreement or if it otherwise fails to proceed with the closing after the execution of the support agreement. A separate break fee would be payable by the Company, if Mr Banks or Mr Owen, who are directors of the Company, fail to comply with the terms of the lock up agreement they have entered into with CSR Times Electric. The maximum amount that could be payable under these break fees is $1.7 million.

23 SUBSEQUENT EVENTS

At a Special Meeting of Shareholders of the Company held on January 30, 2008, the shareholders approved the conversion of $885,902 of the convertible debt into 6,250,221 Common Shares of the Company. The Company has received final approval of the TSX Venture Exchange for these changes and the issuance of 6,250,221 Common Shares will be completed shortly.

As the Company is currently in discussion with Zhuzhou CSR Times Electric Co., Ltd. about a possible acquisition of the Company, the Independent Directors agreed in April to extend the expiry date of the 150,000 stock options due to expire on April 27th, 2008 in order to prevent them being exercised during a blackout period. The options will expire 10 days after the current blackout period ends.

On May 8th, 2008 the Company announced that it had received firm orders for Euros 4.4 million for the supply of bipolar parts for delivery in 2008 and 2009 and that it expected the total order to be in excess of Euro 6.5 million. The Company also announced that it had agreed a £750,000 unsecured subordinated loan facility with two of its directors which would enable it to accelerate capital expenditure necessary to provide additional capacity necessary to fulfil these orders.

Corporate Information

Board of Directors

David F. Banks [1] [3]
Chairman

Paul Taylor [1]
Director, President & CEO

Bob Lockwood [1]
Director, VP Finance & CFO

Debbie Weinstein [1] [2] [3]
Director & Company Secretary

Keith Ralls [1] [2] [3]
Director

Daniel Owen [1] [2]
Director

[1] Member of the Governance Committee
[2] Member of Audit Committee
[3] Member of Compensation Committee

Senior Officers, VP's & Senior Managers

Paul Taylor
President & CEO

Bob Lockwood
VP Finance & CFO

Bill McGhie
Power Electronic Assemblies Business Manager

Mark Kempton
Bipolar Discretes Business Manager

Stock Exchange Listing

Toronto Ventures Exchange
Symbol: DNX

Auditors

Canada – Deloitte & Touche LLP
UK – Deloitte & Touche LLP

Legal Counsel

LaBarge Weinstein Professional Corporation
Ottawa, Ontario

Transfer Agent

Computershare Trust Company of Canada

Dynex Locations

Dynex Power Inc.
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Registered Office

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C/o LaBarge Weinstein
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Kanata
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K2K 3G4