DYNEX POWER INC.

REPORT FOR THE QUARTER ENDED MARCH 31ST 2012

Our objectives are

To grow and develop as a leading 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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This report may contain forward looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Group's business and results of operations. 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's Discussion & Analysis of this report as discussed in public disclosure documents filed with the Canadian Regulatory Authorities. Dynex disclaims any intention or obligation to update or revise any forward looking statement whether as a result of new information, future events or otherwise.

Company Profile

Dynex is one of the world's leading suppliers of specialist, high power semiconductor products. Dynex Semiconductor Limited 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 and die, high power electronic assemblies, and radiation hard silicon-on-sapphire integrated circuits (SOS IC's). Dynex power products are used worldwide 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. SOS IC products are used in demanding applications in the aerospace industry.

Company Facts

- Dynex Power Inc. was formed in June 1999
- Dynex Semiconductor Limited 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 since that time has traded as:

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

- Zhuzhou CSR Times Electric Co., Ltd acquired 75% of the common shares of Dynex Power Inc. in October 2008
- 306 employees (March 2012)
- ISO9001:2008 and ISO14001:2004 approved
- Further information: www.dynexsemi.com

Products

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

Customers

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

- Industrial
  - -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

Dynex has recently participated in the PCIM Europe exhibition and conference in Nuremberg. This event, which takes place each year, is the focal point for all companies who are engaged in achieving efficient power conversion systems and sustainable environmental protection through advances in power electronics components and systems. The exhibition, held in early May 2012, was well attended, and the quality of the stands and conference papers reflected the increased interest from our customers, suppliers and competitors in the rapid advances being made in power electronics technology.

This year, as has become our custom since the acquisition by CSR Times Electric, we shared our stand with their Chinese Power Electronic Business Unit, as together we offer our customers our integrated range of power semiconductor devices and assemblies, all marketed under the Dynex international brand

This exhibition reflected our business sectors outside China, and it is pleasing to report that this year we increased the size of our stand, and the flow of customers and our supply chain partners was at record levels. Although the European economy is generally unsettled, power electronics is a vibrant sector and investments in achieving green and efficient power systems remain strong.

On the other side of the world, our business with China is also growing and over the past quarter we can report signs of confidence returning to the Chinese railway sector. Although it is too early to suggest an end to the well reported slowdown in railway projects, we can see that the long term demand remains robust. As previously reported, our colleagues in China are broadening their sectors into industrial and electric grid markets.

In Lincoln, the construction of our new office block is nearing completion. This new block will provide much needed new accommodation for our expanding Research and Development Centre. We are planning to occupy this new facility around the end of the second quarter of this year. I would encourage any of our shareholders who are in the region to consider visiting Lincoln, we would be very pleased to show the new facility and demonstrate our advanced power semiconductor technology projects. In future reports, research and development progress on our new technologies and new products for high power electronic applications will become a recurring theme and one that reflects our strength as a high technology power electronics business.

Our R&D focus remains on IGBT technology: we have in our pipeline a range of new chip technologies covering our high power range from 1200V to 6500V. At the same time we are enhancing our IGBT module packaging and test technologies to offer our customers state of the art, reliable and efficient products.

This financial report, for the first quarter of 2012, demonstrates that Dynex has achieved high levels of sales revenue. This follows our strong year end results for 2011. During this year our focus is on continuing to increase the application of our IGBTs in China Railway equipment, improving the operating performance of our new IGBT manufacturing facilities, and accelerating the introduction of new products and technologies

I am pleased to report that the outlook for the second quarter is strong, based on a robust order book. Although we remain cautious regarding the outlook for the second half of the year, due to the unsettled economy in Europe, there are signs of improvement both in the region and also from China. Longer term, management has high confidence that 2013 will be a particularly strong year with growth in all of our main product sectors: IGBT modules, bipolar and power assemblies.

Thank you for your continuing interest and your support of Dynex and we look forward to continuing to work for you in driving Dynex forward to achieve our vision of a leading high power semiconductor business.

Paul Taylor
President and Chief Executive Officer
May 16th, 2012

Management's Discussion & Analysis

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements of the Company for the quarter ended March 31st, 2012.

This management's discussion and analysis 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.

Introduction to the Dynex Group

Dynex Power Inc. (the "Company") was formed in Ottawa, Canada on June 15th, 1999 and is quoted on the TSX Venture Exchange under the symbol DNX. The Company has one subsidiary, Dynex Semiconductor Limited (the "Subsidiary"), which is wholly owned and based in Lincoln, England. The Company and its Subsidiary (collectively, the "Group") are engaged in the design, manufacture and sale of industrial power equipment.

Apart from a few administrative activities carried out by Dynex Power Inc., all the business of the Group is carried out by Dynex Semiconductor Limited.

In 2008, Zhuzhou CSR Times Electric Co., Ltd ("CSR Times Electric") acquired approximately 75% of the share capital of the Company and thus became the Company's immediate parent company. CSR Times Electric is itself majority owned by the CSR Group which is therefore the Company's ultimate parent company. Both CSR Times Electric and the CSR Group are established in the People's Republic of China and are themselves quoted companies.

Dynex's Business and Strategy

The Group is primarily engaged in the design, manufacture and sale of high power bipolar discrete semiconductors, high power modules (IGBTs) and die and high power electronic assemblies. The Group's aim, working in conjunction with the Power Electronic Business Unit of CSR Times Electric, is to be recognised as one of the world's leading manufacturers of high power semiconductors.

The Group is also engaged in the manufacture and sale of high reliability integrated circuits. This is no longer regarded by management as a core activity of the Group and so the Group is seeking to maximise the revenue from its remaining inventory of such devices and is evaluating the possibility of licensing the technology to another manufacturer in the future.

All the production of the Group takes place in a single factory in Lincoln, England often using common facilities and shared staff. Consequently, the Group regards bipolar discrete, power modules and die, power electronic assemblies and integrated circuits as separate product groups for revenue analysis but does not regard them as separate operating segments for reporting purposes. The Group does not analyse gross margins, expenses, taxation, net profit or assets by product group.

Due to the nature of silicon wafer fabrication, there is a relatively high level of fixed costs in the business. Consequently, the profitability of the business is particularly responsive to the volume of production and, therefore, the overall level of revenue.

Management does not regard the business as seasonal. In the case of Power Electronic Assemblies and Integrated Circuits, small numbers of large contracts drive revenues in both these segments. The delivery of a large contract in a particular quarter can cause revenue to fluctuate significantly, giving the appearance of seasonality.

Foreign Exchange Rates

Because all of the design, manufacture and sale of products is carried out by the Subsidiary, all of these transactions are initially recorded in Sterling and have to be translated into Canadian Dollars for inclusion in the Group's financial statements. Consequently, changes in the Sterling/Canadian Dollar exchange rate can have a significant influence on reported results. The following exchange rates have been used in preparing these Condensed Consolidated Financial Statements:

	£1 equals
Average rate January to March 2012	C$1.5768
Average rate January to March 2011	C$1.5646
Rate at March 31st, 2012	C$1.5896
Rate at December 31st, 2011	C$1.5825

As illustrated, the Canadian Dollar rate against Sterling for the first quarter of 2012 was similar to the rate in the corresponding quarter of 2011. Consequently, exchange rate movements had little impact on reported revenue and expenditure in the quarter.

The Canadian Dollar rate against Sterling at March 31st, 2012 was similar to the rate at December 31st, 2011.

Construction of a New R&D Centre and Office Building

On September 23rd, 2011 the Group signed a letter of intent with a local construction company to build a new R&D centre and office building on its Doddington Road site for approximately $2.4 million. The new building is required following recent announcements that the Group would be increasing significantly its R&D activities under an arrangement that would be principally funded by its majority shareholder, CSR Times Electric. Work on the construction began in October 2011 and is expected to be completed in the summer of 2012.

Review of Operating Results

Objective

The Group's objective over the medium term is to achieve strong revenue growth whilst maintaining a gross profit percentage in the range of 20-25% so as to be able to invest strongly in research and development, cover other administrative expenses, finance charges and tax and provide shareholders with a good return on their investment in the business.

Overview

The current quarter showed a significant improvement over the figures for the corresponding quarter of the preceding year with revenue growing by 39%. The gross profit percentage was 25.0% in the first quarter of 2012 compared to 19.7% in the corresponding quarter of the previous year. Profit before tax for the first quarter of 2012 was $759,000 compared to $216,000 in the corresponding quarter of the preceding year.

The Company's bookings to billings ratio for the quarter of 0.7 was disappointing and reflects the current tightness being experienced in the market.

Revenue

Revenue for the first quarter of 2012 was $10.5 million, $3.0 million or 39% higher than in the corresponding quarter of last year. This is the second highest quarterly revenue recorded by Dynex in recent times and in Sterling terms was the highest quarterly revenue ever reported by the Group. The change comprised a significant increase in sales of power modules and die and smaller increases in bipolar discrete and service revenue partially offset by reductions in revenues for integrated circuit and power electronic assemblies, which are mainly sold into European markets. The first quarter of 2011 had been a particularly weak quarter.

Gross Margin

The gross margin was 25.0% of revenue in the first quarter of 2012 compared to 19.7% in the corresponding quarter of last year. The gross margin in the current quarter is at the upper end of the range targeted by management. The gross margin in the corresponding quarter of last year was at the bottom end of the range targeted by management and had been adversely affected by the expansion programme then being carried out.

Other Income

Other income for the quarter consists primarily of the sale of scrap materials. The figures for the current quarter and for the corresponding quarter of last year are not considered material.

Sales and Marketing and Admin Expenses

Management's aim is to reduce the combined sales and marketing and administration expenses as a percentage of revenue through improved efficiency. Such expenses were 11.2% of revenue in the first quarter of 2012 compared to 11.8% in the corresponding quarter of last year.

Research and Development Expenses

Management believes that it is important to increase expenditure on research and development so as to maintain the intellectual property of the Group and to be able to offer the best products to the market in order to protect long term profitability. As far as possible, management seeks to fund such expenditure from contributions from its parent company, customers and governmental agencies so that the full burden of such expenditure does not fall to shareholders.

The net expenditure on research and development for the first quarter of 2012 was $287,000. This was $65,000 or 29% higher than in the corresponding quarter of last year.

However, management believes that the gross expenditure on research and development is a more important indicator of the Group's commitment to product development. Gross research and development expenditure increased to 9.2% of revenue in the quarter compared to 7.3% of revenue in the corresponding quarter of last year. The increase results from a deliberate decision by management to invest in product development and from the decision by CSR Times Electric to establish the jointly funded R&D Centre in Lincoln.

Finance Costs

Finance costs for the quarter were $105,000, a fivefold increase over the corresponding quarter of last year. The increase reflects an increased level of borrowings following the purchase of the Doddington Road site and the construction of a new R&D centre and office building.

Other Losses

Other losses relate to foreign exchange gains and losses and profits or losses on the disposal of property, plant and equipment. Consequently, the figure reported can fluctuate significantly.

Profit before Tax

Profit before tax was 9.8% of revenue in the first quarter of 2012 compared to 4.1% of revenue in the corresponding quarter of last year.

Tax Expense

Tax expense was 26.5% of profit before tax in the first quarter of 2012 compared to 30.3% in the corresponding quarter of last year. The reduction reflects falling corporation tax rates in the United Kingdom.

Net Profit

The Group reported a net profit of $759,000 in the first quarter of 2012 compared to a net profit of $216,000 in the corresponding quarter of last year.

Liquidity & Capital Resources

Objective

The Group's objective is to maintain a strong balance sheet so as to be able to carry out its business efficiently, to be able to grow revenue substantially over the medium term and to be in a position to take advantage of market opportunities.

Property, Plant and Equipment

The net value of property, plant and equipment, which had stood at only $1.1 million at the end of 2007, increased to $30.6 million at the end of 2011 and now stands at $30.9 million.

Working Capital

The Group aims to optimise the ratio of assets invested in working capital (current assets less cash less trade payables, other payables and accruals, provisions, amounts owing to parent company and deferred tax liabilities) compared to the revenue of the business.

At the end of March 2012, working capital stood at $13.2 million compared to $10.8million at the end of December 2011. The increase reflected a $1.3 million increase in in amounts due from the parent company following an increase in business with them, an $800,000 increase in prepayments, deposits and other receivables and a $900,000 decrease in other payables and accruals.

Net Debt

At the end of March 2012, the Group had net debt (borrowings less cash) of $8.6 million. At the end of December 2011, it had net debt of $6.7 million. The change reflects the increase in working capital referred to above.

The Group had no off balance sheet financing arrangements at the quarter end or at the previous year end.

Equity

Equity increased by $914,000 since the end of the preceding year. The increase resulted from the net profit of $759,000 and an exchange difference on translation of the UK subsidiary of $155,000.

Gearing

Management monitors closely the Group's gearing ratio (the ratio of net debt, being borrowings less cash balances, to equity). At the end of March 2012, the Group had a gearing ratio of 24.1%. At the end of the preceding year, the Group had a gearing ratio of 19.4%. Management still regards this as a low level of gearing and it provides flexibility for further borrowings if required.

Borrowing Facilities

The Group seeks to have committed facilities sufficient to meet its expected financing needs for the next two years. At the end of March 2012, the Group's $4.8 million committed borrowing facility was fully drawn but the Group had $1.2 million of cash. The Group also has a $7.6 million mortgage backed facility to help fund the purchase of its Doddington Road site and the construction of the new R&D centre and office building. At the end of the quarter, $4.7 million had been drawn under this facility. The remainder of the facility is not available until the new building has been completed but there is more than sufficient undrawn loan to complete the new building. The Group also maintains a $1.6 million uncommitted overdraft facility to help with its day-to-day cash management. This facility was unutilised at the quarter end. At the quarter end, net debt was equivalent to approximately 90% of the committed facilities available to the Group and 70%

of the committed facilities that will be available to the Group when the new building has been completed.

Cash Flow

There was an outflow of $737,000 from operating activities in the quarter. The main constituents of the cash outflow were the profit before tax of $1.0 million offset by the increases in working capital referred to above.

Commitments

The Group has capital commitments at the quarter end of $3.1 million for the new R&D centre and office building and manufacturing and research and development equipment.

Contingencies

A number of the Group's products are covered by product warranties of varying duration. The Group provides for claims under such warranties on the basis of past experience. However, actual claims could exceed the amount of this provision. Other than such potential warranty claims, Management is not aware of any contingent liabilities of the Group.

The Group has not issued any guarantees of any third party debts or performance.

Selected Financial Information

	2012	2011	2011	2011	2011	2010	2010	2010	2011	2010	2009
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	FY	FY	FY
Revenue	10,522	9,633	9,860	9,018	7,751	8,379	8,116	9,233	36,082	36,161	39,884
Gross Profit	2,633	2,209	2,976	1,938	1,492	1,059	1,392	1,891	8616	6,893	9,534
Gross profit %	25.0%	22.9%	30.2%	21.5%	19.3%	12.6%	17.2%	20.5%	23.9%	19.1%	23.9%
Gross R&D %	9.2%	9.9%	16.4%	6.4%	7.3%	6.6%	3.9%	3.2%	10.2%	4.3%	3.9%
Profit before Tax	1,033	729	1,665	755	310	(5)	363	520	3,458	1,994	3,827
Net Profit	759	724	1,229	540	216	(18)	250	359	2,710	1,345	3,414
Earnings per Share											
Basic	0.01	0.01	0.02	0.01	0.00	0.00	0.00	0.01	0.03	0.02	0.08
Diluted	0.01	0.01	0.02	0.01	0.00	0.00	0.00	0.00	0.03	0.02	0.08
Property, plant, equipm't	30,931	30,624	31,215	23,441	23,184	22,493	21,233	19,772	30,624	22,493	17,420
Working capital	13,194	10,754	12,533	10,683	7,657	6,321	10,669	10,921	10,754	6,321	9,026
Net(debt)/cash	(8,557)	(6,724)	(8,977)	(2,057)	885	2,629	662	1,122	(6,724)	2,629	6,016
Equity	35,568	34,654	34,771	32,067	31,726	31,443	32,564	31,815	34,654	31,443	32,462
Dividends	0	0	0	0	0	0	0	0	0	0	0

Selected quarterly and annual financial information is presented above. All quarterly figures have been prepared in accordance with IFRS. These figures have not been audited. All figures for 2009, except for the figures for property, plant and equipment, working capital, net cash/(debt) and equity, have been prepared in accordance with Canadian generally accepted accounting principles and have been audited. The figures for property, plant and equipment, working capital, net cash/(debt) and equity for 2009 and all figures for the financial year 2010 and 2011 have been prepared in accordance with IFRS and have been audited. All amounts are stated in thousands of Canadian Dollars except for the gross profit percentage and the gross R&D percentage and for earnings per share figures which are stated in Canadian Dollars per share.

The amounts shown for property, plant and equipment are as disclosed in the appropriate financial statements. Working capital is defined as current assets excluding cash less current liabilities excluding borrowings less non-current liabilities excluding borrowings for figures prepared under IFRS and current assets excluding cash less accounts payable and accrued liabilities for figures prepared under Canadian generally accepted accounting principles. Net cash/(debt) is defined as cash less borrowings for figures prepared in accordance with IFRS and cash less short-term loans, long-term debt and obligations under capital leases for figures prepared in accordance with Canadian generally accepted accounting principles. The amounts shown for equity are as disclosed in the financial statements prepared in accordance with IFRS and are the amounts shown as equity plus deferred revenue in the case of financial statements prepared in accordance with Canadian generally accepted accounting principles.

Annual revenue declined by 9.3% between 2009 and 2010 and by 0.2% between 2010 and 2011. However, both these declines were as a result of the strengthening of the Canadian Dollar against Sterling. In Sterling terms, revenue had risen by approximately 1% in both years. Quarterly revenue declined during 2010 and early 2011 as a result of the strengthening of the Canadian Dollar, the softer market for bipolar products, particularly in Europe, and capacity constraints for modules whilst the expansion project had been taking place. The last four quarters have seen a strengthening in revenue principally as a result of increased sales of power modules.

The gross profit percentage in 2009 was in line with management expectations. The gross profit percentage was impacted in 2010 by the disruption caused by the expansion project. The gross profit percentage in 2011 was again in line with management expectations. The gross profit percentage in the second quarter of 2010 was in line with management expectations for the business. The gross profit percentages during the second half of 2010 and the first quarter of 2011 again reflect the disruption caused by the expansion project. The gross profit percentage from the second quarter of 2011 onwards shows a return to the level that management expects.

Management regards research and development expenditure as key to the future of the business and seeks to grow the ratio of gross expenditure on research and development to revenue. A steady growth in gross research and development expenditure as a percentage of revenue can be seen in the figures. The ratio of 16.4% for the third quarter of 2011 has been affected by two one-off charges totalling approximately $750,000 recorded in the quarter. Without these one-off adjustments, the ratio would have been approximately 8.8%.

The profit before tax reflects the strength of the gross profit in any particular period. The net profit for the period in 2009 reflected the fact that although the tax losses were exhausted in 2009, there was still sufficient available to provide a partial shelter, whilst in 2010 and 2011 full provision was made for tax. The quarterly figures follow the same trend although there was a smaller tax charge in the fourth quarter of 2011 due to reassessments of the tax losses available in that year.

The figures for property, plant and equipment show significant investment throughout the business, primarily the installation of two new 6-inch IGBT wafer fabrication lines, between late 2009 and early 2011 and the purchase of the Doddington Road site in the third quarter of 2011.

Working capital levels were generally equivalent to between two and three month's revenue during 2009 but since 2010 have tended to be equivalent to between three and four months revenue. The increase reflects the fact that more of the Group's revenue is now coming from customers in areas where credit terms are generally longer and payment of receivables is not as prompt and from the increase in inventories associated with the two new IGBT wafer fabrication lines.

The completion of the rights issue in December 2009 eliminated the net debt of the Group and provided a strong net cash position in anticipation of the costs of completing the expansion project. The net cash reduced during 2010 and the first half of 2011 as the expansion project was completed. The purchase of the Doddington Road site resulted in a substantial increase in net debt in the third quarter of 2011.

The change in equity reflects the comprehensive income in each period.

Risk Management

The Group operates in a competitive market in which the major competition comes from businesses that are much larger than Dynex and which therefore have more resources at their disposal. The purchase of a 75% stake in the Company by CSR Times Electric in October 2008 made the Group part of a larger group. The Group further tries to meet this challenge by ensuring it undertakes sufficient R&D and continuous improvements in manufacturing to maintain its product quality, product performance and delivery lead time at or ahead of the levels provided by competitors.

A fundamental shift in technologies in the Group's product markets could have a material adverse effect on its competitive position within the industry. Dynex is increasing the gross expenditure on R&D as a percentage of revenue in order to mitigate this risk.

The level of worldwide demand for power semiconductors and power semiconductor assemblies is one of the key uncertainties for the Group. Global plans to reduce carbon emissions in response to concerns about climate change, including increased power generation from non-fossil fuels, the electrification of transport systems and the increased use of advanced power electronic equipment, together with the need for additional power generation capacity and improved power transmission and distribution systems and the increased demand for the supply of high quality electrical energy, provide strong justification for believing that demand for the Group's products will remain strong in the longer-term despite the current economic problems that affect many developed economies. The purchase of a 75% stake in the Company by CSR Times Electric in October 2008 gives the Group improved access to the Chinese market which is less affected by the current economic problems. However, any reduction in investment in these areas would be detrimental to the future of the business.

The Group has based its future business development plans on the assumption that CSR Times Electric will purchase a substantial portion of its IGBT product requirements from Dynex. This is not certain as there are many factors that could prevent CSR Times Electric purchasing such products. In particular, there is a risk that Dynex IGBT modules may prove technically incompatible or not competitive for use in CSR Times Electric equipment and that may materially reduce the future demand for IGBT modules. The Group is working closely with CSR Times Electric, has set up several joint teams and is increasing its R&D expenditure to ensure that its products are able to meet CSR Times Electric's needs and the needs of other power electronic equipment manufacturers both within China and the rest of the world.

The Group's manufacturing processes are highly complex and manufacturing efficiency is an important factor in the Group's competitiveness and profitability. The Group has been investing and continues to invest in new fabrication equipment to ensure it remains competitive.

The Group's manufacturing yields vary significantly among products, depending on the complexity of a particular product's design and the Group's experience in manufacturing that type of product, the quality of the raw materials and bought in components used in manufacture and the effects of contamination or other difficulties during the semiconductor fabrication process. Deterioration in yields will increase production costs and therefore reduce margins. In addition, failure to meet planning yields may also lead to late deliveries to customers. The Group seeks to manage these risks by constantly monitoring and seeking to improve its yields through improvements in design, materials and manufacturing processes.

The Group's business is quite concentrated, with up to 75% of turnover typically coming from ten or fewer customers. The failure or consolidation of any of these customers around companies owned or supplied by Dynex's major competitors could significantly reduce the opportunities available to the business in future. The acquisition of a major stake in the Company by CSR Times Electric in October 2008 has given the Group a much closer relationship with this entity which has become the Group's major customer. The Group has developed and works to a Quality Policy, operated under ISO 9001:2008 in order to ensure it meets its customers' requirements as well as it possibly can. The Group constantly seeks to acquire new customers to broaden its customer base.

Certain raw materials, such as silicon, neutron transmutation doped ("NTD") silicon, molybdenum, ceramic housings, substrates, baseplates, wafer fabrication chemicals and gases, electricity and assembly materials and sub-contract services are critical to the manufacture of high power semiconductors. The Group seeks to maintain close relationships with key suppliers, entering into long term supply arrangements where appropriate and by multi sourcing products where possible, in order to ensure continued access to such raw materials.

The supply of NTD silicon, which is used in the Group's highest power products, has become less secure recently following a reduction in the number of suppliers. The Group continues to strengthen its relationship with existing suppliers to increase its security of supply.

In the case of electricity, the Group is a major user of electricity and the cost of electricity in the UK is subject to significant short term variation. The Group has developed and operates a formal Energy Management Plan in order to minimise the use of power. The Group takes independent professional advice on the purchase of electricity and seeks to enter into long term contracts to reduce the uncertainty about future prices.

Many of the Group's expenses, particularly those relating to capital equipment and manufacturing overheads, are relatively fixed, making the Group's results extremely sensitive to volume reductions. The Group seeks to manage this risk by maintaining close relationships with its main customers and by seeking new customers. The Group's capability in power electronic assemblies is an important aspect of developing and maintaining such close relationships.

The Group's operating business is in Lincoln, England and the majority of its assets, liabilities, revenue, expenses and cash flows take place in and are recorded in Sterling. These values have to be translated to Canadian Dollars for inclusion in the consolidated financial statements of the Company. Movements in the Sterling/Canadian Dollar exchange rate directly affect such values. The Company does not hedge such exposures, believing that its shareholders have taken a positive decision to invest in a business operating out of the UK.

Although the Group 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 Group'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 Group's future success depends, in part, upon its ability to attract and retain suitably qualified and experienced personnel in engineering, research and development, operations, production management, sales, marketing, finance, IT and general management. The Group seeks to ensure that its remuneration, employee benefits and general terms and conditions remain competitive to ensure it is able to recruit and retain the people it needs to be competitive.

As part of its manufacturing operations, the Group uses many hazardous chemicals and gases. The Group operates a formal Health and Safety Plan compliant with UK Health and Safety Executive guidance note HSG65 and a formal Environmental Management Plan under ISO 14001 in order to ensure compliance with the relevant laws and regulations and to ensure that the risks to employees, third parties and the environment are minimised.

Financial Instruments & Other Instruments

The Group does not use financial instruments or other instruments as part of its risk management strategy.

Critical Accounting Judgements and Estimates

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Anticipated useful lives of property, plant and equipment

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions and reviews these estimates at the end of each reporting period. At March 31st 2012 the carrying amount of property, plant and equipment was $30.9 million.

Provisions against inventories

Management reviews the condition of inventories at the end of each reporting period and recognises a provision for slow-moving and obsolete items of inventory when they are no longer suitable for use or sale.

Management's estimate of the net realisable value of inventories is based primarily on sales prices in the forward order book and current market conditions.

At March 31st, 2012 the provision against inventories was $4.1 million and the carrying amount of inventories was $11.1 million.

Impairment of trade receivables

Management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of each customer and reviews these estimates at the end of each reporting period. At March 31st, 2012 the provision was $181,000 and the carrying amount of trade receivables was $4.4 million.

Provisions

Management determines the best estimate of provisions based on experience of similar transactions and, in some cases, reports from independent experts and reviews them at the end of each reporting period. At March 31st, 2012 the carrying value of provisions was $464,000.

Disclosure Controls

Disclosure controls and procedures have been 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 International Financial Reporting Standards. During the quarter ended March 31st, 2012, there have been no changes in the design of the Group's internal controls over financial reporting that has materially affected, or is reasonably likely to affect materially the Group's internal control over financial reporting.

Government Assistance

The Group received $1,000 in grants during the quarter from the European Union and the UK Government to assist in its research and development activities.

Outstanding Share Data

As of the date of this Management's Discussion and Analysis, the Company has 80,509,047 common shares outstanding and options to purchase 150,000 common shares outstanding.

Related Party Transactions

During the first quarter of 2012, the Group sold $3.4 million of goods and $108,000 of services to CSR Times Electric, received a contribution towards research and development of $684,000 and purchased materials and components from them for $451,000. The Group also sold $954,000 of goods to a fellow subsidiary of CSR Times Electric.

At March 31st, 2012 the Group was owed $3.7 million for goods sold to CSR Times Electric and owed them $262,000 for materials and components purchased from them. In addition, the Group had received an advance payment from CSR Times Electric of $1.4 million towards future research and development expenditure and for technical support for the construction of an 8-inch wafer fabrication facility in China which is reported as part of other payables and accruals. The Group was also owed $922,000 by a fellow subsidiary which is reported under trade receivables.

The Group paid $224,000 in compensation during the quarter to its key management personnel.

The Group purchased services from a law firm in Canada during the quarter for $15,000. At March 31st, 2012, $5,200 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Subsequent Events

There were no material events occurring after March 31st, 2012 through the date of this Management's Discussion and Analysis.

Outlook

As expected, sales of power modules and die rose significantly in the first quarter of 2012 to the highest level ever achieved by Dynex and they are expected to increase further in the second quarter. However, in the difficult market currently being experienced it is difficult to forecast revenue levels in the second half of 2012 with any confidence but it is probable that power module and die revenue will decline slightly.

As expected, sales of bipolar discrete products rose in the first quarter of 2012 and are expected to increase further in the second quarter. However, in the difficult market currently being experienced it is difficult to forecast revenue levels in the second half of 2012 with any confidence but it is probable that bipolar discrete revenue will decline slightly.

Power assembly revenue declined slightly in the first quarter of 2012 and is expected to decline further in the second quarter. It is difficult to forecast for the second half of the year at present.

There is continuing demand for the dwindling inventory of the Group's integrated circuit products, although sales of such products in the first quarter were modest and are expected to remain so throught the year.

At the end of March 2012, the order book stood at $16.1 million, some $3.5million or 18% lower than at the end of 2011.

Quarterly revenue in the first quarter of 2012 was $10.5 million and is expected to be similar to this in the second quarter. Revenue in the second half of 2012 remains difficult to predict in the current uncertain markets but is expected to be lower than in the first half.

Quarterly profit after tax in the first quarter of 2012 was $759,000. Quarterly profit after tax is expected to be similar to this in the second quarter of 2012.

Quarterly profit is expected to fall in the second half of the year.

Management remains hopeful that revenue and net profit in 2012 overall will be above the levels reported in 2011. However, performance in the second half of 2012 is uncertain at this time.

Additional Information

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

Bob Lockwood

Bob Lockwood.
Director and Chief Financial Officer
May 16th, 2012

DYNEX POWER INC.
Condensed Consolidated Statement of Comprehensive Income (unaudited) in Canadian Dollars
Quarter Ended March 31st, 2012

	Note	**3 months Mar 31st 2012 $**	3 months Mar 31st 2011 $
Revenue	5,6	**10,522,090**	7,571,232
Cost of sales		**(7,888,847)**	(6,078,797)
Gross profit		**2,633,243**	1,492,435
Other income	6	**22,412**	18,709
Sales and marketing expenses		**(230,041)**	(206,657)
Administration expenses		**(950,306)**	(683,235)
Research and development expenses	7	**(287,059)**	(221,735)
Finance costs		**(104,594)**	(20,259)
Other losses		**(51,142)**	(69,562)
Profit before Tax	7	**1,032,513**	309,696
Income tax expense		**(273,415)**	(93,781)
Net Profit		**759,098**	215,915
Other Comprehensive Income			
Exchange differences on translation of foreign operations (net of tax of $nil)		**154,629**	67,029
Total Comprehensive Income for the quarter		**913,727**	282,944
Earnings per share			
Basic	8	**0.01**	0.00
Diluted	8	**0.01**	0.00

All results are derived from continuing operations
These financial statements should be read in conjunction with the notes set out on pages 20 to 30.

DYNEX POWER INC.
Condensed Consolidated Statement of Financial Position (unaudited) in Canadian Dollars
Quarter ended March 31st, 2012

	Note	**Mar 31st 2012** $	Dec 31st 2011 $
NON-CURRENT ASSETS			
Property, plant & equipment	9	**30,930,812**	30,623,600
CURRENT ASSETS			
Inventories		**11,106,519**	10,890,917
Trade receivables		**4,372,188**	4,275,915
Amounts owing from parent company	12	**3,702,937**	2,369,749
Prepayments, deposits & other receivables	12	**1,284,877**	458,665
Tax recoverable		**-**	298,301
Cash		**1,209,025**	3,028,599
Total current assets		**21,675,546**	21,322,146
CURRENT LIABILITIES			
Trade payables	12	**1,494,410**	1,142,246
Amounts owing to parent company	12	**262,387**	312,284
Other payables and accruals		**3,025,490**	3,946,048
Borrowings		**811,620**	514,102
Provisions		**250,496**	186,077
Total current liabilities		**5,844,403**	6,100,757
NET CURRENT ASSETS		**15,831,143**	15,221,389
TOTAL ASSETS LESS CURRENT LIABLIITIES		**46,761,955**	45,844,989

DYNEX POWER INC.
Condensed Consolidated Statement of Financial Position in Canadian Dollars (unaudited) (continued)
Quarter Ended March 31st, 2012

	Note	**Mar 31st 2012** $	Dec 31st 2011 $
NON-CURRENT LIABILITIES			
Borrowings		**8,954,608**	9,238,920
Provisions		**213,506**	212,704
Deferred tax liabilities		**2,025,916**	1,739,167
Total non-current liabilities		**11,194,030**	11,190,791
NET ASSETS		**35,567,925**	34,654,198
EQUITY			
Share capital	10	**37,096,192**	37,096,192
Retained profit/(accumulated deficit)		**234,483**	(524,615)
Exchange fluctuation reserve		**(1,762,750)**	(1,917,379)
		35,567,925	34,654,198

These financial statements should be read in conjunction with the notes set out on pages 20 to 30.

DYNEX POWER INC.
Condensed Consolidated Statement of Changes in Equity (unaudited) in Canadian Dollars
Quarter Ended March 31st, 2012

	Share Capital	Retained Profit/ (Deficit)	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
At January 1st, 2011	37,096,192	(3,234,161)	(2,419,387)	31,442,644
Total comprehensive income for the period	-	215,915	67,029	282,944
At March 31st, 2011	37,096,192	(3,018,246)	(2,352,358)	31,725,588
Total comprehensive income for the period	-	2,493,631	434,979	2,928,610
At December 31st, 2011	37,096,192	(524,615)	(1,917,379)	34,654,198
Total comprehensive income for the period	-	**759,098**	**154,629**	**913,727**
At March 31st, 2012	**37,096,192**	**234,483**	**(1,762,750)**	**35,567,925**

These financial statements should be read in conjunction with the notes set out on pages 20 to 30.

DYNEX POWER INC.
Condensed Consolidated Statement of Cash Flows (unaudited) in Canadian Dollars
Quarter Ended March 31st, 2012

	Note	**3 months Mar 31st 2012**	3 months Mar 31st 2011
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**1,032,513**	309,696
Finance costs recognised in profit or loss		**104,594**	20,259
Investment income recognised in profit or loss		**(215)**	(588)
Depreciation of property, plant & equipment		**691,083**	524,373
Loss/(gain) on disposal of property, plant & equipment		**-**	(15,646)
Provision for slow moving and obsolete inventory		**(179,525)**	284,125
Movements in working capital	11	**(2,686,366)**	(1,822,675)
Cash used in operating activities before income taxes		**(1,037,916)**	(700,456)
Income taxes received		**300,512**	51,893
Net cash used in operating activities		**(737,404)**	(648,563)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(939,219)**	(1,097,150)
Proceeds on disposal of property, plant and equipment		**-**	15,646
Interest received		**215**	588
Net cash used in investing activities		**(939,004)**	(1,080,916)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of borrowings		**(30,306)**	(27,496)
Interest paid		**(81,722)**	(10,109)
Payment for other finance costs		**(23,053)**	(11,735)
Net cash used in financing activities		**(135,081)**	(49,340)
NET DECREASE IN CASH		**(1,811,489)**	(1,778,819)
Cash at beginning of period		**3,028,599**	3,094,626
Effect of foreign currency translation on cash		**(8,085)**	7,925
CASH AT END OF PERIOD		**1,209,025**	1,323,732

All operating cash flows derive from continuing operations
These financial statements should be read in conjunction with the notes set out on pages 20 to 30.

1. CORPORATE INFORMATION

Dynex Power Inc. (the "Company") was formed on June 15th, 1999 under the laws of Canada by the amalgamation of GLG Dynex Power Inc. and Dynex Power Inc. GLG Dynex Power Inc. had been incorporated under the laws of Canada on February 19th, 1996. The former Dynex Power Inc. had been incorporated under the laws of Canada in the name of DPI Technologies Inc. on February 11th, 1998 and changed its name to Dynex Power Inc. on June 4th, 1999.

The registered office of the Company is 515 Legget Drive, Suite 800, Kanata, Ontario, K2K 3G4.

The Company and its subsidiary (collectively the "Group") are engaged in the design and manufacture of industrial power equipment.

The immediate parent company of the Group is Zhuzhou CSR Times Electric Co. Ltd ("CSR Times Electric") and the ultimate parent company of the Group is CSR Group, which are both established in The People's Republic of China. The ultimate controlling party is the Chinese State-owned Asset Supervision and Administration Commission based in Beijing in The People's Republic of China.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group were prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". Therefore these interim condensed consolidated financial statements do not include all the information and disclosures that are required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements requires the Group's management to make judgements and 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 revenue and expenses during the reporting period presented. However actual results could differ from the estimates made by management requiring a material adjustment to the carrying values of assets and liabilities in the future. Details of the Group's key judgements and estimates are disclosed in Note 5 of the Group's consolidated financial statements for the year ended December 31st, 2011.

These interim condensed consolidated financial statements have been prepared on the basis of the same policies as described in Note 4 to the Group's consolidated financial statements for the year ended December 31st, 2011 and should be read in conjunction with those statements which are included in the Group's Annual Report for 2011.

These interim condensed consolidated financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise noted. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

All figures are in Canadian Dollars ("$") which is the Company's functional currency except as otherwise stated. The functional currency of the Company's subsidiary, Dynex Semiconductor Limited, is British Pounds.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has not implemented the following new and revised accounting pronouncements that have been issued but are not yet effective.

IAS 28 Investments in Associates and Joint Ventures ("IAS 28")

IAS 28 was amended in 2011 which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1st, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Company's Financial Statements

IFRS 7 Financial Instruments: Disclosures ("IFRS 7")

IFRS 7 was amended in October 2010 to provide additional disclosure on the transfer of financial assets including the possible effects of any residual risks that the transferring entity retains. These amendments are effective for annual periods beginning on or after July 1, 2011. IFRS 7 was further amended in December 2011 to enhance disclosures about offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1st, 2013. The Company is currently evaluating the impact of these amendments to IFRS 7 on its financial statements.

IFRS 9 Financial Instruments ("IFRS 9")

As of January 1st, 2015, the Company will be required to adopt IFRS 9, which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1st, 2015. The adoption of this standard is not expected to have a material impact on the Company's Financial Statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10 establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation—Special Purpose Entities" and is effective for annual periods beginning on or after January 1st, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Company's Financial Statements.

IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31 "Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers" and is effective for annual periods beginning on or after January 1st, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Company's Financial Statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1st, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Company's Financial Statements.

3. FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 13 Fair Value Measurement ("IFRS 13")

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1st, 2013. Earlier application is permitted. The adoption of this standard is not expected to have a material impact on the Company's Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared using the same accounting policies as those used in the Group's annual financial statements for the year ended December 31st, 2011, except for the adoption of new standards and interpretations as of January 1st, 2012 noted below.

IAS 1 Presentation of Financial Statements ("IAS 1")

In June 2011 the IASB issued amendments to IAS 1. These amendments include a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments), and emphasise the importance of presenting profit or loss and OCI together and with equal prominence. The adoption of this amendment had no impact on the financial position or performance of the Group.

5. OPERATING SEGMENT INFORMATION

IFRS 8 "Operating Segments" defines an operating segment as (a) a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance and (c) for which discrete financial information is available.

For management purposes the Group's activities are attributable to a single operating segment, engaged in the design and manufacture of industrial power equipment. Consequently, the Group does not present any operating segment information.

5. OPERATING SEGMENT INFORMATION (continued)

Revenue by Geographic area

The location of the customer determines the geographic areas for revenue.

	3 months Mar 31st 2012	3 months Mar 31st 2011
	$	$
Canada	**160,425**	9,352
China	**3,605,717**	543,387
United States of America	**1,624,189**	2,138,029
France	**1,264,236**	796,488
Germany	**881,945**	429,322
United Kingdom	**655,733**	1,677,414
Other	**2,329,845**	1,977,240
	10,522,090	7,571,232

Property, plant and equipment by geographic area

The location of property, plant and equipment determines the geographic areas.

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

Major customers

For the quarter ended March 31st, 2012 the Group had one customer accounting for more than 10% of revenue, generating $4,487,457 (CSR Times Electric Group) (Mar 31st, 2011 – two customers each accounting for more than 10% of revenue, generating $1,004,422 and $973,879 respectively).

6. REVENUE AND OTHER INCOME

Revenue on sale of goods and services

Revenue on the sale of goods represents the net invoiced value of goods sold less trade discounts and allowance for returns and excludes sales tax.

Revenue for services is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

An analysis of the Group's revenue and other income is as follows:

	3 months Mar 31st 2012	3 months Mar 31st 2011
Revenue:	**$**	$
Sale of goods	**10,377,177**	7,543,595
Rendering of Services	**144,913**	27,637
	10,522,090	7,571,232
Other Income:		
Sale of scrap materials	**20,946**	16,880
Bank interest income	**215**	588
Government grants	**1,250**	1,241
	22,412	18,709

7. PROFIT BEFORE TAX

Profit before tax from continuing operations is stated after charging/(crediting):

	3 months Mar 31st 2012	3 months Mar 31st 2011
	$	$
Cost of inventories sold	**7,743,934**	6,051,160
Staff costs (including director's remuneration):		
Wages and salaries	**3,336,723**	2,749,181
Other benefits	**140,520**	115,896
Foreign exchange differences (net)	**51,142**	85,208
Depreciation of items of property, plant and equipment		
Manufacturing	**640,157**	488,779
Other	**50,926**	35,594
Research and development expenses (before government grants and contribution from CSR Times Electric)	**971,040**	549,795
Contribution from CSR Times Electric	**(683,981)**	(321,880)
Government grants:		
Research and development	**-**	(6,180)
Property plant and equipment	**(1,250)**	(1,241)
Provision for obsolete inventories	**(179,525)**	284,125

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Earnings per share calculations are based on:

	3 months Mar 31st 2012	3 months Mar 31st 2011
	$	$
Earnings:		
Profit attributable to ordinary equity	**759,098**	215,915
Shares:		
Weighted average number of ordinary shares outstanding during the period used in the basic earnings per share calculation	**80,509,047**	80,509,047
Shares that could be issued on exercise of options	**150,000**	150,000
Shares that would be repurchased out of proceeds of option exercises	**(116,188)**	(78,899)
Weighted average number of ordinary shares outstanding during the period used in the diluted earnings per share calculation	**80,542,859**	80,580,148

For the quarter ended March 31st, 2012 the number of shares that could potentially dilute basic earnings per share in the future but which were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive was nil (Mar 31st, 2011 – nil).

9. PROPERTY, PLANT AND EQUIPMENT

In the quarter ended March 31st, 2012 the Group acquired property, plant and equipment with an aggregate cost of $859,533 (Mar 31st, 2011 - $1,165,532).

In the quarter ended March 31st, 2012 the Group disposed of property, plant and equipment with an aggregate carrying amount of $nil (Mar 31st, 2011 - $nil) which resulted in a net gain of $nil (Mar 31st, 2011 - $15,646) included in other gains and losses in comprehensive income.

At March 31st, 2012 the Group has commitments for the purchase of property, plant and equipment of $3.1 million (Dec 31st, 2011 - $2.8 million).

10. SHARE CAPITAL

At March 31st, 2012 there were 80,509,047 common share of the company outstanding (Dec 31st, 2011 – 80,509,047).

11. MOVEMENTS IN WORKING CAPITAL

An analysis of the Group's movements in working capital is as follows:

	3 months Mar 31st 2012	3 months Mar 31st 2011
	$	$
Decrease (increase) in inventories	**14,128**	(828,826)
(Increase) in trade receivables	**(76,473)**	(381,219)
(Increase) in prepayments, deposits & other receivables	**(817,934)**	(55,760)
(Increase) in amounts owing from parent company	**(1,311,906)**	(216,265)
Increase in trade payables	**423,912**	513,726
(Decrease) in other payables & accruals	**(930,129)**	(869,161)
Increase in provisions	**62,921**	5,564
(Decrease) increase in amounts owing to parent company	**(50,885)**	9,266
	(2,686,366)	(1,822,675)

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Group's management regards the members of the board of directors of Dynex Power Inc. and their immediate families, the senior managers of Dynex Semiconductor Limited and their immediate families, its immediate parent company, Zhuzhou CSR Times Electric Co., Ltd, its directors and their immediate families and all of its affiliates as related parties.

The Group had the following material transactions and balances with related parties.

		3 months Mar 31st 2012	3 months Mar 31st 2011
		$	$
Transactions with CSR Times Electric:			
Sale of goods	(i) (ii)	**3,426,385**	516,378
Rendering of services	(iii) (iv)	**107,531**	-
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(v)	**683,981**	321,880
Purchases of materials and components	(i) (vi)	**450,714**	344,737
Transactions with fellow group subsidiaries:			
Sale of goods	(viii)	**953,541**	-
Transactions with other parties:			
Non-exective directors fees	(viii)	**5,000**	5,000
Legal fees and expenses	(ix)	**15,000**	15,000

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Mar 31st 2012	Dec 31st 2011
		$	$
Balances with CSR Times Electric:			
Amounts due from parent company	(i) (ii) (iii) (vii)	**3,702,937**	2,369,749
Amounts due to parent company	(i) (vi)	**262,387**	312,284
Other payables and accruals	(iv) (v)	**1,352,123**	2,140,458
Balances with fellow group subsidiaries:			
Trade receivables	(vii)	**922,185**	512,026
Balances with other parties:			
Other payables and accruals	(viii)	**5,000**	10,000
Trade payables	(ix)	**-**	5,751
Other payables and accruals	(ix)	**5,200**	5,200

(i) CSR Times Electric is the Group's main distributor for high power semiconductors in The People's Republic of China and the Group is CSR Times Electric's main distributor for high power semiconductors in Europe. The parts are sold to the distributor at the market price less a discount to cover the cost of the work carried out by the party handling the distribution.

(ii) CSR Times Electric uses the Group to buy certain raw materials and to provide IGBT die and module products for its own use and to construct certain pieces of equipment for use in its IGBT assembly and test facility in Zhuzhou, China.

(iii) CSR Times Electric subcontracts certain manufacturing processes to the Group. The amounts involved are not material.

(iv) On September 27th, 2011 the Group signed an agreement with CSR Times Electric for the research and development centre to provide technical support to CSR Times Electric for its 8 inch wafer fabrication facility in China. Under the new agreement it is estimated that the costs for the project will be £1.756 million over a three year period commencing from January 2011. CSR Times Electric paid in advance 20% of their contribution.

(v) On September 9th, 2010 the Group signed an agreement with CSR Times Electric to share the costs of carrying out research and development projects for high power semiconductor devices at the Group's premises in Lincoln, England. Under the new agreement it is estimated that the costs of the joint research and development will be £7.8 million over a 40 month period, and it is agreed that CSR Times Electric will provide funding of 80% of the costs and the Group will contribute 20%. CSR Times Electric paid in advance 25% of their contribution.

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(vi) The Group uses CSR Times Electric to make purchases of materials and components for it in China.
(vii) In 2011, the Group appointed Times Electric USA LLC, a fellow subsidiary of CSR Times Electric, to act as the Group's main distributor for high power semiconductors in North, Central and South America.
(viii) Two of the Company's non-executive directors receive a fee for their services.
(ix) The Company retains a business law firm in Canada to provide legal services and advice. One of the Company's directors is a partner of this firm.

Advances to and from the parent company are recorded at fair value. The directors' fees and other related party amounts are recorded at the negotiated amounts. All amounts due to and from related parties are recorded as current liabilities and current assets since they are due upon demand or on the basis of normal creditor terms.

13. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the board of directors of Dynex Power Inc. on May 16th, 2012.

Corporate Information

Board of Directors

Li Donglin [1] [3]
Chairman

Paul Taylor [1]
Director, President & CEO

Bob Lockwood [1]
Director, VP Finance, CFO & Co. Secretary

Debbie Weinstein [1] [2]
Director

David Banks [1] [2] [3]
Director

Liu Ke'an [1] [3]
Director

Richard Wu [1] [2]
Director

George Guo [1]
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

Mark Kempton
Operations Director

Liu Guoyou
Research & Development Director

George Guo
Sales & Marketing Director

Bill McGhie
Power Electronic Assemblies Business Manager

Debra Clipson
Human Resources Manager

Stock Exchange Listing

Toronto Ventures Exchange
Symbol: DNX

Auditors

Canada – Deloitte & Touche LLP
UK – Deloitte LLP

Legal Counsel

LaBarge Weinstein LLP
Ottawa, Ontario

Transfer Agent

Computershare Trust Company of Canada

Dynex Locations

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