DYNEX POWER INC.

REPORT FOR THE QUARTER ENDED SEPTEMBER 30th 2014

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.

Table of Contents

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. 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 rail traction motor drives, electric power transmission and distribution, renewable and distributed energy, marine 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
- 355 employees (September 2014)
- ISO9001:2008 and ISO14001:2004 approved
- Further information: www.dynexpower.com

Products

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

Customers

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

- Railway propulsion and on-board systems
- 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
- Aircraft power electronic systems
- Space satellite applications
- Electric vehicles

Letter to Shareholders

Last quarter I indicated that the second half was expected to be stronger than the first half with a return to profitability. Furthermore I advised that, although sales of modules and die were improved in the first half of 2014 compared to the same period in 2013, they did not reach management expectations. In fact revenue from the sales of die had declined in the second quarter compared to the first quarter of 2014. This was related to the previously reported yield issues with new die products. Consequently the overall revenue in the second quarter was somewhat below that of the first quarter.

In order to recover the yield for the new die products, new equipment was being installed and certain adjustments were being made to the production processes. As forecast this work continued into the third quarter, however it is pleasing to report that good progress has been achieved with this programme and the new equipment is now operational.

Additionally, during the third quarter, to reflect an increasing focus on product reliability and quality, CSR Times Electric further tightened the specification for the new die products that Dynex is supplying for use in Chinese rail applications. In order to meet this tightened specification, Dynex was required to make more process adjustments to the die. Deliveries of this product to CSR Times Electric continued to be suspended whilst this adjustment was taking place, and as a result Dynex recorded no significant revenue from sales of die to CSR Times Electric in the third quarter. Thus Dynex was not able to achieve the recovery anticipated in the third quarter.

Sample lots of the new die have now been approved by CSR Times Electric and deliveries have recommenced.

However, as this is a new product, initial yields will be lower than normal, and this will have an adverse impact on die sales revenue and on profitability in the fourth quarter. It is still too early to predict when yields, and therefore profitability from such sales, will reach the levels expected for a mature product,

Despite the suspension in die shipments, revenue in the third quarter was slightly above the level reported in the second quarter of 2014 and the same quarter of last year.

This increase in sales revenue was due to sustained performance from the power assembly and IGBT module product groups and increased sales in IC products and in bipolar products.

Thus, whilst the outlook for the die products remain uncertain as the newly developed and adjusted products are ramped up in production, performance in all other product lines is running either at or above expectations for the year.

Indeed it is encouraging to see that sales outside the CSR group are running at higher levels than in the past three years, reflecting the success being enjoyed by Dynex in securing business and gaining market share from our competition in bipolar and power assemblies.

Looking forward to the fourth quarter, we expect revenue to show significant increase overall: bipolar, IGBT modules and die, and power assembly product lines are all forecast to show increased sales with an expectation of the business returning to profitability, although the impact of the new die yield recovery is difficult to forecast.

Whilst Dynex has been incurring additional costs related to the introduction of new products, it is encouraging to see the positive impact of British Government's grant support on our R&D costs. Because of this we are able to continue to accelerate our R&D activities with gross expenditure more than 15% of revenue. The benefits of sustained R&D investment are being seen in our bipolar and IGBT module lines already.

Of course management is not pleased with the overall result in the third quarter, the speed of financial recovery is not as fast as we expected. Nevertheless, management is confident, having now resolved the previously reported difficulties with the new die product development work, that our business performance will improve. The underlying improvement can be seen in the increase in margins and revenues, and the reduction in net loss compared to the corresponding quarter of last year, despite the on-going adverse effect of the new product ramp up. Once the die production is fully ramped up we can predict a significant improvement in financial performance. In the meantime we welcome the support shown by all our shareholders, and in particular by CSR Times Electric.

PDTaylor

Paul Taylor
President and Chief Executive Officer
November 13th, 2014

Management's Discussion & Analysis

The following discussion and analysis should be read in conjunction with the Interim Condensed Consolidated Financial Statements of the Company for the quarter ended September 30th, 2014.

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 within the Semiconductor 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.

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 are 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 Interim Condensed Consolidated Financial Statements:

	£1 equals
Average rate July to September 2014	C$1.8116
Average rate January to September 2014	C$1.8252
Average rate July to September 2013	C$1.6129
Average rate January to September 2013	C$1.5840
Rate at September 30th, 2014	C$1.8103
Rate at December 31st, 2013	C$1.7620

As illustrated, the Canadian Dollar rate against Sterling for the third quarter and year to date of 2014 was between 12% and 15% lower than in the third quarter and year to date of 2013. Consequently, exchange rate movements had a significant impact on reported revenue and expenditure in the quarter and year to date.

The Canadian Dollar rate against Sterling at September 30th, 2014 was approximately 3% weaker than the rate at December 31st, 2013. Consequently, the change in rates had a less significant impact on assets and liabilities at the period end.

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

CSR Times Electric has tightened the specification for the new die product that the Group is supplying to them for use in Chinese rail applications. In order to meet the tightened specification, the Group made adjustments to the die during the third quarter. Deliveries of die to CSR Times Electric were suspended whilst this adjustment was taking place and as a result the Group recorded no significant revenue from sales of die to CSR Times Electric in the third quarter. The new die has now been approved by CSR Times Electric and deliveries are expected to recommence in the fourth quarter. However, as this is a new product, initial yields may be lower than normal and this could have a significant impact on die revenue and on profitability in the fourth quarter. It is still too early to predict when yields, and therefore profitability from such sales, will reach the levels expected for a mature product. Despite this, revenue in the third quarter was slightly above the level reported in the second quarter of 2014.

The Company's booking to billing ratio for the quarter was 0.84. This is lower than the ratio in the second quarter.

Revenue

Revenue for the third quarter of 2014 was $10.4 million, $888,000 or 9% higher than in the corresponding quarter of last year. The increase in revenue was a result of the weakening of the Canadian Dollar. In Sterling terms, revenue was down by 3% compared to the corresponding quarter of last year. The decline in Sterling terms was more than accounted for by a decline in sales of IGBT die.

For the year to date, revenue was $32.0 million, $5.6 million or 22% higher than in the first nine months of last year. Three quarters of this increase was a result of the weakening of the Canadian Dollar. The rest of the improvement came from stronger sales of bipolar, IGBT and assembly products partially offset by weaker sales of integrated circuits and services.

Gross Margin

The gross margin was 11.3% of revenue in the third quarter of 2014 compared to a gross margin of 1.2% of revenue in the third quarter of 2013. Despite the strong improvement in gross margin, it was still below the range targeted by management and reflected weaker revenue than had been expected.

For the year to date, gross margin was 11.3% compared to 6.8% in the corresponding period of last. The gross margin for the year to date was below the range targeted by management.

Other Income

Other income for the quarter consists primarily of the sale of scrap materials. The figures for the current quarter and year to date and for the corresponding quarter and year to date 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 12.0% of revenue in the third quarter of 2014 compared to 9.6% in the corresponding quarter of last year. The increase reflected weaker revenue than had been expected and the ratio is expected to improve going forward.

For the year to date combined sales and marketing and administration expenses was 11.6% compared to 10.4% in the corresponding period of last year. Once again, the ratio reflected the weaker than expected revenue and is expected to improve going forward.

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.

There was a net credit to research and development expenditure in the third quarter of 2014 of $265,000 compared with a cost of $362,957 in the corresponding quarter of the previous year. The release arose on final confirmation of a grant from the British Government's Regional Growth Fund. The total grant will be worth approximately $1.8 million and approximately $450,000 was recognised in the quarter.

For the year to date, net expenditure on research and development was $501,000, $215,000 or 45% lower than in the first nine months of 2013. The reduction reflected the success of the Group in attracting support for research and development activities from Government and customers.

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 rose to 15.5% of revenue in the third quarter of 2014 compared to 14.3% of revenue in the corresponding quarter of last year.

For the year to date, gross research and development expenditure rose to 15.4% of revenue compared to 14.2% of revenue in the corresponding period of last year.

Finance Costs

Finance costs for the quarter were $193,000, compared to $99,000 in the corresponding quarter of last year. Finance costs would have been expected to rise by approximately $12,000 as a result of changes in exchange rates. The rest of the increase in finance costs arises from interest on a new loan from CSR Times Electric that was used to buy new production equipment.

For the year to date, finance costs were $531,000 compared to $379,000 in the first nine months of 2013. Approximately one third of this increase is a result of changes in exchange rates. The remaining increase reflects higher borrowing during 2014 compared to 2013.

Other Gains and Losses

Other gains and 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.

Loss before Tax

The Group reported a loss before tax in the quarter of $261,000 compared with a loss before tax of $1.3 million in the corresponding quarter of last year. The loss represents a further reduction of the loss reported in the five previous quarter and represents a continuation of the return to profitability.

For the year to date, the Group reported a loss before tax of $1.3 million compared with a loss before tax in the first nine months of 2013 of $2.1 million.

Income Tax Expense

The Group recorded a tax release in the quarter equivalent to 14.8% of the loss before tax compared with a tax release of 34.0% of the loss before tax in the corresponding quarter of last year. Both these tax charges are affected by changes in the estimatation of the tax charge that will be applied for the full year and so tax expense is better considered in the year to date figures discussed below rather than the figures for an individual quarter.

For the year to date, the tax release was 18.4% of the loss before tax, compared to 31.6% in the first nine months of last year. The figure for the current year is close to the future UK tax rate of 20% that wil apply when the Group is again paying tax in the UK. The figure for the corresponding year to date reflected the impact of falling UK tax rates on the Group's deferred tax balances.

Net Loss

The Group reported a net loss of $222,000 in the third quarter of 2014 compared to a net loss of $840,000 in the corresponding quarter of last year.

For the year to date, the Group reported a net loss of $1.0 million compared to a net loss of $1.4 million in the first nine months of 2013.

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.

Non-Current Assets

The net value of non-current assets rose from $36.2 million at the end of last year to $41.2 million at the end of the third quarter. Approximately 20% of this increase was as a result of changes in exchange rates. The Group has invested significantly in new process equipment to give better control and improved product quality.

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 September 2014, working capital stood at $15.7 million or 1.50 times third quarter revenue compared to $17.7 million or 1.38 times quarter four revenue at the end of December 2013. This ratio is expected to fall in the fourth quarter.

Net Debt

At the end of September 2014, the Group had net debt (borrowings less cash) of $19.9 million. At the end of December 2013, it had net debt of $16.8 million. Approximately $500,000 of this increase was as a result of the fall in the value of the Canadian Dollar. The rest of the increase was a result of continued investment in non current assets.

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

Equity

Equity decreased by $57,000 since the end of the preceding year. The reduction resulted from the net loss of $1.0 million and an exchange gain on translation of the UK subsidiary of $989,000.

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 September 2014, the Group had a gearing ratio of 53.8%. At the end of the preceding year, the Group had a gearing ratio of 45.4%. Management does not regard this level of borrowing as excessive although in the medium to long term management intends to reduce it.

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 September 2014, the Group's committed borrowing facility totalling $13.3 million were fully drawn. At the quarter end, the Group was in breach of the covenants on a further facility for $3.6 million which was fully drawn and so this facility has been classified as an uncommitted facility. The Group also maintains a $5.4 million overdraft facility to provide access to additional funds and to help with its day-to-day cash management. This facility is also not a committed facility. At the end of the quarter $651,000 was drawn under this facility. The Group had $1.8 million of cash at the quarter end. At the quarter end, net debt was equivalent to approximately 150% of the committed facilities available to the Group.

Cash Flow

There was an inflow of $5.6 million from operating activities in the year to date. The main constituents of the cash inflow were a reduction in working capital of $2.2 million, an increase in the stock provision of $700,000 and depreciation of $3.2 million partially offset by the loss before finance charges and tax of $750,000.

Commitments

The Group has capital commitments at the quarter end of $1.7 million for intangible assets and plant and equipment for manufacturing and research and development.

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.

The Group has been notified of a possible claim from a customer although no claim has been received so far. The Group believes its liability is capped at a level that would not have a significant impact on the Group.

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

Selected Financial Information

	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2013 FY	2012 FY	2011 FY
Revenue	10,410	10,178	11,450	12,875	9,523	9,959	6,877	9,930	39,234	39,615	36,082
Gross Profit	1,174	1,435	1,017	146	114	1,934	(249)	1,067	1,945	6,732	8,616
Gross profit %	11.3%	14.1%	8.8%	1.1%	1.2%	19.4%	(3.6%)	10.7%	5.0%	17.0%	23.9%
Gross R&D %	15.5%	16.8%	14.1%	11.3%	14.3%	12.0%	17.2%	10.9%	13.2%	10.6%	10.2%
Profit before Tax	(261)	(387)	(634)	(1,324)	(1,274)	608	(1,404)	(192)	(3,394)	1,233	3,458
Net Profit	(222)	(308)	(516)	(993)	(840)	527	(1,103)	55	(2,410)	1,066	2,710
Earnings per Share											
Basic	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.01	(0.01)	0.00	(0.03)	0.01	0.03
Diluted	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.01	(0.01)	0.00	(0.03)	0.01	0.03
Non-current assets	41,212	40,345	38,089	36,160	33,741	33,072	31,686	33,709	36,160	33,706	30,624
Working capital	15,687	12,233	16,778	17,724	16,965	14,810	14,273	12,428	17,724	12,428	10,754
Net debt	19,908	15,125	16,908	16,836	14,907	12,470	12,311	9,854	16,836	9,854	6,724
Equity	36,991	37,453	38,059	37,048	35,799	35,412	33,648	36,283	37,048	36,283	34,654
Dividends	0	0	0	0	0	0	0	0	0	0	0

Selected quarterly and annual financial information is presented above. All figures have been prepared in accordance with IFRS. Quarterly figures have not been audited except for balance sheet figures for each of the fourth quarters. The figures for the financial years 2011, 2012 and 2013 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 non-current assets 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. Net debt is defined as cash less borrowings and derivative financial instruments. The amounts shown for equity are as disclosed in the financial statements.

Annual revenue grew by approximately 10% between 2011 and 2012 and declined by approximately 1% between 2012 and 2013. Quarterly revenue has remained steady throughout most of the period apart from in the first and last quarters of 2013. The reduction in the first quarter of 2013 reflected a slowdown in orders for Chinese railways and overstocking of parts by our parent company, continuing weakness in European markets and delays in projects by our major customers. The last quarter of 2013 saw a recovery in die sales to CSR Times Electric and unusually strong sales in other major markets.

The gross profit percentage in 2011 was in line with management expectations. The gross profit percentage in 2012 reflected the difficult economic conditions in several of the Group's markets and the extreme price pressures then being experienced. The gross profit percentage in 2012 was slightly below management expectations. The gross profit percentage in 2013 reflected the very poor revenue reported in the first quarter, the impact of sales of low margin products in the third quarter and the write off of inventory and provisioning of work in progress in the fourth quarter. The gross profit level in 2013 was significantly below management expectations. The gross profit percentage in the last quarter of 2012 reflected the cost of preparing for future growth and the extremely price competitive nature of the markets at that time. In 2013, only in the second quarter did the gross profit percentage reach reasonable levels although still slightly below management's target level. The gross profit percentage in the first quarter of 2013 was impacted by the low sales in the quarter, which has a major impact given the high fixed cost nature of the business. Gross profit percentage in the third quarter of 2013 reflected the low margins available to the Group in some of its more competitive markets. The low gross profit percentage in the fourth quarter of 2013 resulted from major inventory write off and provisions against work in progress. The gross profit percentage has been better and more stable in each of the quarters in 2014 but is still below the level management expects to achieve.

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 rise in the ratio to 17.2% in the first quarter of 2013 reflects the fall in revenue in the quarter.

The annual profit before tax reflects the strength of the gross profit in any particular period. The quarterly figures follow the same trend. The annual net profit reflects the strength of profit before tax in any particular period. The quarterly figures follow the same trend except for the fourth quarter of 2012 when a significant release of the tax provision was achieved.

The figures for non-current assets show continued investment throughout the business. The modest decline in the first quarter of 2013 reflected management caution with regard to discretionary expenditure during a difficult period.

Working capital levels, which were generally equivalent to approximately three month's revenue in 2011, had risen to closer to four month's revenue in 2012 and to approximately five month's revenue in 2013. The figure for the first quarter of 2013 was higher than this due to the low revenue figure. The figure has fallen to between four and four and a half month's revenue since the last quarter of 2013. The increase reflected the fact that an increasing amount 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.

The Group had $6.7 million of net debt at the end of 2011. This figure has risen steadily since then in order to fund increased investment in non-current assets, the rise in working capital referred to above and the losses in recent quarters.

The change in the 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. The purchase of a 75% stake in the Company by CSR Times Electric in October 2008 gives the Group improved access to the important Chinese market. 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 over 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 one of the Group's major customers. 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.

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 into Canadian Dollars for inclusion in the consolidated financial statements of the Company. Movements in the Canadian Dollar-Sterling exchange rate directly affect such values. The Company does not generally 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 US dollars and Euros. 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 14001:2004 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 has an obligation to repay a Hong Kong Dollar loan from CSR Times Electric (Hong Kong) Ltd in 2015. A forward contract has been entered into to fix the Sterling cost of repaying this loan.

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 non-current assets

Management determines the estimated useful lives of its non-current assets based on historical experience of the actual lives of non-current assets of similar nature and functions and reviews these estimates at the end of each reporting period. At September 30th, 2014 the carrying amount of non-current assets was $41.2 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 September 30th, 2014 the provision against inventories was $6.0 million and the carrying amount of inventories was $16.0 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 September 30th, 2014 the provision was $203,000 and the carrying amount of trade receivables was $9.0 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 September 30th, 2014 the carrying value of provisions was $284,000.

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 September 30th, 2014, 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 $543,000 in grants during the quarter from the European Union and the UK Government to assist in its research and development activities and grants of $1,000 from the UK Government to purchase equipment.

Outstanding Share Data

As of the date of this Management's Discussion and Analysis, the Company has 80,509,047 common shares outstanding. The Company has no options to purchase shares outstanding.

Related Party Transactions

During the quarter, the Group sold $30,000 of goods and $289,000 of services to CSR Times Electric, received a contribution towards research and development of $1.3 million, purchased materials and components from them for $844,000 and paid $75,000 in interest on a loan from them. The Group also sold $439,000 of goods to a fellow subsidiary of CSR Times Electric and paid $9,000 in interest on a loan from another fellow subsidiary of CSR Times Electric. The Group incurred expenses in the UK of

$48,000 on behalf of CSR Times Electric and $18,000 on behalf of a fellow subsidiary which expenses were reimbursed to the Group.

During the the year to date, the Group sold $4.4 million of goods and $974,000 of services to CSR Times Electric, received a contribution towards research and development of $3.9 million, purchased materials and components from them for $2.3 million and paid $145,000 in interest on a loan from them. The Group also sold $1.4 million of goods to a fellow subsidiary of CSR Times Electric and paid $27,000 in interest on a loan from another fellow subsidiary of CSR Times Electric. The Group incurred expenses in the UK of $257,000 on behalf of CSR Times Electric and $18,000 on behalf of a fellow subsidiary which expenses were reimbursed to the Group.

At September 30th, 2014 the Group was owed $3.8 million for goods and services sold to CSR Times Electric and owed them $898,000 for materials and components purchased from them. In addition, the Group had received an advance payment from CSR Times Electric towards future research and development expenditure and for technical support of an 8-inch wafer fabrication facility in China. At the end of the quarter $7.8 million was unearned income and as such is shown under other payables and accruals. The Group was also owed $316,000 by a fellow subsidiary which is reported under trade receivables and $31,000 by a parent company of CSR Times Electric for services supplied to them.

The Group has a loan of $5.6 million from CSR Times Electric and a loan of $1.1 million from a fellow subsidiary of CSR Times Electric. At September 30th, 2014 an amount of $172,000 was outstanding for interest under these loans.

The Group paid $263,000 in compensation during the quarter to its key management personnel and $786,000 for the year to date.

The Group purchased services from a law firm in Canada during the quarter for $22,000 and for $61,000 during the year to date. At September 30th, 2014, $11,000 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Outlook

Revenue from bipolar discrete products increased in the third quarter from the figure it had been in the second quarter of 2014. It is forecast to increase further in the fourth quarter.

The project to expand the capacity and capability of the IGBT wafer fabrication facility was completed in 2011. Work continues on qualifying parts made on the new lines for use, particularly in CSR Times Electric applications, and on improving yields from the new lines. However, this work has taken longer than expected.

Revenue from the sale of IGBT modules and die declined in the third quarter compared with the second quarter of 2014. It is forecast to increase significantly in the fourth quarter.

Revenue from the sales of power electronic assemblies showed a small decrease in the third quarter compared to the second quarter of 2014. Revenue is expected to increase substantially in the fourth quarter.

Revenue from services remained steady in the third quarter of 2014 and should remain at a similar level in the fourth quarter.

There was significant revenue from sales of integrated circuits in the third quarter of 2014. No further sales are expected this year.

Overall, revenue in the third quarter was above the level seen in the second quarter of 2014. There is expected to be a significant increase in the fourth quarter. Revenue for the full year is expected to be at or above that reported in 2013.

At the end of September 2014, the order book stood at $23.0 million, slightly lower than the figure at the end of June 2014 of $24.6 million.

The business reported a net loss of $222,000 in the third quarter. This was lower than the loss reported in the second quarter of 2014. Management expects the business to return to profitability in the fourth quarter.

Additional Information

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

Bob Lockwood

Bob Lockwood.
Vice President and Chief Financial Officer
November 13th, 2014

DYNEX POWER INC.
Interim Condensed Consolidated Statements of Comprehensive Income (unaudited) in Canadian Dollars
Quarter Ended September 30th, 2014

	Note	**3 months Sept 30th 2014**	3 months Sept 30th 2013	**YTD Sept 30th 2014**	YTD Sept 30th 2013
		$	$	**$**	$
Revenue	5, 6	**10,410,336**	9,522,616	**32,037,895**	26,358,766
Cost of sales		**(9,236,578)**	(9,408,468)	**(28,412,871)**	(24,559,706)
Gross profit/(loss)		**1,173,758**	114,148	**3,625,024**	1,799,060
Other income	6	**12,212**	11,602	**100,561**	69,236
Sales and marketing expenses		**(319,061)**	(226,885)	**(868,032)**	(679,343)
Administration expenses		**(926,825)**	(682,873)	**(2,842,585)**	(2,065,246)
Research and development expenses	7	**265,117**	(362,957)	**(501,343)**	(913,934)
Finance costs		**(193,227)**	(99,463)	**(531,158)**	(379,328)
Other gains and (losses)		**(272,554)**	(27,562)	**(263,632)**	99,186
Profit/(Loss) before Tax	7	**(260,580)**	(1,273,990)	**(1,281,165)**	(2,070,369)
Income tax income		**38,507**	433,699	**235,797**	653,576
Net loss		**(222,073)**	(840,291)	**(1,045,368)**	(1,416,793)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to net profit/(loss):					
Exchange differences on translation of foreign operations (net of tax of $nil)		**(239,405)**	1,227,483	**988,824**	933,365
Total comprehensive income/(loss) for the year		**(461,478)**	387,192	**(56,544)**	(483,428)
Loss per share					
Basic	8	**(0.00)**	(0.01)	**(0.01)**	(0.02)
Diluted	8	**(0.00)**	(0.01)	**(0.01)**	(0.02)

All results are derived from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 20 to 31.

DYNEX POWER INC.
Interim Condensed Consolidated Statement of Financial Position (unaudited) in Canadian Dollars
As at September 30th, 2014

	Note	**Sep 30th 2014 $**	Dec 31st 2013 $
NON-CURRENT ASSETS			
Intangible assets		**989,269**	671,297
Property, plant & equipment	9	**40,222,954**	35,489,047
Total non-current assets		**41,212,223**	36,160,344
CURRENT ASSETS			
Inventories		**16,039,469**	12,285,323
Trade receivables		**9,024,534**	10,239,680
Amounts owing from parent company	14	**3,823,124**	2,487,898
Prepayments, deposits & other receivables		**1,873,222**	589,109
Tax recoverable		**36,357**	139,320
Cash		**1,830,268**	775,071
Total current assets		**32,626,974**	26,516,401
CURRENT LIABILITIES			
Trade payables		**1,806,052**	2,788,598
Amounts owing to parent company	14	**897,897**	1,504,288
Other payables and accruals	10	**11,239,340**	2,384,332
Borrowings	11	**9,053,067**	10,450,622
Provisions		**18,103**	17,620
Total current liabilities		**23,014,459**	17,145,460

DYNEX POWER INC.
Interim Condensed Consolidated Statement of Financial Position (Unaudited) in Canadian Dollars (continued)
As at September 30th, 2014

	Note	**Sep 30th** 2014 $	Dec 31st 2013 $
NON-CURRENT LIABILITIES			
Borrowings	11	**12,685,459**	7,160,584
Provisions		**266,320**	236,970
Derivative financial instruments		**23,925**	23,288
Deferred tax liabilities		**857,621**	1,062,486
Total non-current liabilities		**13,833,325**	8,483,328
NET ASSETS		**36,991,413**	37,047,957
EQUITY			
Share capital	12	**37,096,192**	37,096,192
(Accumulated deficit)/retained profit		**(2,914,191)**	(1,868,823)
Exchange fluctuation reserve		**2,809,412**	1,820,588
		36,991,413	37,047,957

These financial statements should be read in conjunction with the notes set out on pages 20 to 31.

DYNEX POWER INC.
Interim Condensed Consolidated Statement of Changes in Equity (unaudited) in Canadian Dollars
Quarter Ended September 30th, 2014

	Share Capital	Retained Profit/ (Deficit)	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
At January 1st, 2013	37,096,192	540,921	(1,354,609)	36,282,504
Total comprehensive income for the period	-	(576,502)	(294,118)	(870,620)
At September 30th, 2013	37,096,192	(35,581)	(1,648,727)	35,411,884
Total comprehensive income for the period	-	(1,833,242)	3,469,315	1,636,073
At December 31st, 2013	37,096,192	(1,868,823)	1,820,588	37,047,957
Total comprehensive income for the period	**-**	**(1,045,368)**	**988,824**	**(56,544)**
At September 30th, 2014	**37,096,192**	**(2,914,191)**	**2,809,412**	**36,991,413**

These financial statements should be read in conjunction with the notes set out on pages 20 to 31.

DYNEX POWER INC.
Interim Condensed Consolidated Statement of Cash Flows (unaudited) in Canadian Dollars
Quarter Ended September 30th, 2014

		YTD Sept 30th 2014	YTD Sept 30th 2013
CASH FLOW FROM OPERATING ACTIVITIES	Note	**$**	$
Loss before tax		**(1,281,165)**	(2,070,369)
Finance costs recognised in loss before tax		**531,158**	379,328
Investment income recognised in loss before tax		**(2,443)**	(174)
Amortization of intangible assets		**83,229**	3,256
Depreciation of property, plant & equipment		**3,222,741**	2,562,284
Loss on disposal of property, plant & equipment		**3,964**	1,506
Provision for slow moving and obsolete inventory		**700,872**	321,774
Non cash movement in provisions		**35,705**	-
Movements in working capital	13	**2,211,825**	(3,563,622)
Income taxes received/(paid)		**107,941**	(3,919)
Net cash generated by/(used in) operating activities		**5,613,827**	(2,369,936)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for intangible assets		**(383,699)**	(25,855)
Payments for property, plant & equipment		**(7,223,624)**	(1,816,209)
Interest received		**2,443**	174
Net cash used in investing activities		**(7,604,880)**	(1,841,890)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**10,950,723**	9,214,438
Repayments of borrowings		**(7,339,987)**	(6,257,514)
Interest paid		**(524,230)**	(257,133)
Payments for other finance costs		**(40,824)**	(94,167)
Net cash generated by financing activities		**3,045,682**	2,605,624
NET INCREASE/(DECREASE) IN CASH		**1,054,629**	(1,606,202)
Cash at beginning of period		**775,071**	2,206,430
Effect of foreign currency translation on cash		**568**	(31,463)
CASH AT END OF PERIOD		**1,830,268**	568,765

All operating cash flows are derived from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 20 to 31.

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").

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. Any changes in estimates will be treated prospectively in the period in which they change. 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, 2013.

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, 2013, subject to the new standards and interpretations set out in Note 4 below, and should be read in conjunction with those statements which are included in the Group's Annual Report for 2013.

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. The Company has reviewed these pronouncements and determined that the following may have an impact on the Company:

IFRS 9 Financial Instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010, was amended in 2013 and finalized in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

IFRS 9 uses a single approach to determine whether a financial instrument is measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of those financial instruments.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1st, 2018, and the Company is currently assessing its impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognised based on a five-step model which is applied to all contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1st, 2017 and early adoption is permitted. The Company is currently assessing its impact.

Amendments to IFRS 11 – *Joint Arrangements*

In May 2014, the IASB issued an amendment to IFRS 11 that clarifies the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The amendments are effective for annual periods beginning on or after January 1st, 2016, with earlier application being permitted. The Company is currently assessing its impact.

Amendments to IAS 38 – *Intangible Assets* and *IAS 16 – Property, Plant and Equipment*

In May 2014, the IASB issued amendments to these standards that provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after January 1st, 2016, with earlier application being permitted. The Company is currently assessing their impact.

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, 2013, except for the adoption of new standards and interpretations as of January 1st, 2014 and July 1st, 2014 noted below:

Adoption of new standards and interpretations

At January 1st, 2014 the Group adopted the following standards and interpretations, none of which had any impact on the financial position or performance of the Group:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new standards and interpretations(continued)

` Amendments to IAS32, " Financial Instruments: Presentation"
Amendments to IAS36, " Impairment of Assets"
IFRIC21, " Levies"

The details of these standards and interpretations were described in the Consolidated Financial Statements of the Group for the year ended December 31st, 2013.

At July 1st, 2014 the Group adopted the following standards, none of which had any impact on the financial position or performance of the Group:

Amendments to IFRS 2, "Share-Based payment"
Amendments to IFRS 3, "Business Combinations"

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.

Revenue by geographic area

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

	3 months Sept 30th 2014	3 months Sept 30th 2013	**YTD Sept 30th 2014**	YTD Sept 30th 2013
	$	$	**$**	$
Canada	**1,554,681**	-	**2,386,803**	147,570
United Kingdom	**3,522,714**	3,486,182	**10,012,444**	7,144,242
China	**319,432**	1,711,748	**5,448,613**	5,833,839
France	**1,114,473**	913,180	**3,603,161**	3,523,893
United States of America	**439,688**	540,560	**1,604,058**	1,719,183
India	**591,408**	567,452	**1,826,222**	1,159,496
Other (None > 10%)	**2,867,940**	2,303,494	**7,156,594**	6,830,543
	10,410,336	9,522,616	**32,037,895**	26,358,766

5. OPERATING SEGMENT INFORMATION (continued)

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 September 30th, 2014 the Group had two customers each accounting for more than 10% of revenue, generating $3,299,503 and $1,548,529 respectively.

In the nine months ended September 30th, 2014 the Group had two customers each accounting for more than 10% of revenue, generating $7,936,005 and $6,799,000 (CSR Times Electric Group).

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 Sept 30th 2014	3 months Sept 30th 2013	**YTD Sept 30th 2014**	YTD Sept 30th 2013
Revenue:	**$**	$	**$**	$
Sale of goods	**9,809,651**	8,710,469	**30,710,519**	24,710,325
Rendering of services	**600,685**	812,147	**1,327,376**	1,648,441
	10,410,336	9,522,616	**32,037,895**	26,358,766
Other Income:				
Sale of scrap materials	**7,433**	9,376	**79,864**	62,890
Bank interest income	**-**	-	**2,399**	175
Government grants	**1,437**	1,279	**4,335**	3,769
Other income	**3,342**	947	**13,963**	2,402
	12,212	11,602	**100,561**	69,236

7. LOSS/PROFIT BEFORE TAX

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

	3 months Sept 30th 2014	3 months Sept 30th 2013	**YTD Sept 30th 2014**	YTD Sept 30th 2013
	$	$	**$**	$
Cost of inventories sold	**8,997,710**	8,596,321	**27,447,311**	22,911,265
Staff costs (including director's remuneration):				
Wages and salaries	**4,499,859**	3,615,818	**12,925,403**	10,342,107
Other benefits	**224,325**	151,491	**710,486**	432,140
Foreign exchange differences (net)	**263,778**	27,562	**382,069**	(100,692)
Amortisation of intangibe assets charged to:				
Cost of sales	**1,373**	-	**4,139**	-
Overheads	**33,458**	2,216	**79,090**	3,256
Depreciation of items of property, plant and equipment charged to:				
Cost of sales	**930,302**	771,186	**2,732,649**	2,230,592
Overheads	**160,560**	115,735	**490,092**	334,948
Research and development expenses (before government grants and contribution from CSR Times Electric)	**1,617,857**	1,358,068	**4,945,574**	3,733,134
Contribution from CSR Times Electric	**(1,340,051)**	(954,837)	**(3,855,894)**	(2,717,782)
Government grants:				
Research and development	**(542,923)**	(40,274)	**(588,337)**	(101,418)
Property plant and equipment	**(1,437)**	(1,279)	**(4,335)**	(3,769)
Provision for slow moving and obsolete inventories	**(452,693)**	56,210	**338,571**	321,774

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Loss per share calculations are based on:

	3 months Sept 30th 2014	3 months Sept 30th 2013	**YTD Sept 30th 2014**	YTD Sept 30th 2013
	$	$	**$**	$
Earnings:				
Profit/(loss) attributable to ordinary equity holders used in both basic and diluted earnings per share calculations	**(222,073)**	(840,291)	**(1,045,368)**	(1,416,793)
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	**80,509,047**	80,509,047

9. PROPERTY, PLANT AND EQUIPMENT

In the quarter ended September 30th, 2014 the Group acquired property, plant and equipment with an aggregate cost of $2,263,500 (Sept 30th, 2013 - $362,404). In the nine months ended September 30th, 2014 the Group acquired property, plant and equipment with an aggregate cost of $7,400,605 (Sept 30th, 2013 - $1,692,130)

In the quarter ended September 30th, 2014 the Group disposed of property, plant and equipment with an aggregate carrying value of $3,964 (Sept 30th, 2013 - $nil) which resulted in a net loss of $3,964 (Sept 30th, 2013 - $nil) included in other gains and losses in comprehensive income.

In the nine months ended September 30th, 2014 the Group disposed of property, plant and equipment with an aggregate carrying value of $3,964 (Sept 30th, 2013 - $1,506) which resulted in a net loss of $3,964 (Sept 30th, 2013 - $1,506) included in other gains and losses in comprehensive income.

At September 30th, 2014 the Group has commitments for the purchase of property, plant and equipment of $1.7 million (Dec 31st, 2013 - $1.6 million).

10. OTHER PAYABLES AND ACCRUALS

	Sept 30th 2014	Dec 31st 2013
	$	$
Accruals	**982,046**	1,041,574
Payments in advance	**9,696,255**	846,206
Deferred income	**6,984**	10,990
Other	**554,055**	485,562
	11,239,340	2,384,332

Other consists mainly of payroll taxes and pension contributions.

The amounts due to related parties of the Group included in other payables and accruals are as follows:

	Note	Sept 30th 2014	Dec 31st 2013
		$	$
CSR Times Electric	14	**7,887,295**	280,539
Fellow group subsidiaries		**9,088**	-
		7,896,383	280,539

The balances above due to related parties are unsecured and interest-free. They relate mainly to payments received in advance against future expenditure of the Group and any amounts unutilised become repayable at the end of the projects

11. BORROWINGS

	Sept 30th 2014	Dec 31st 2013
	$	$
Secured at amortised cost:		
Bank overdrafts	**4,877,413**	4,397,089
Bank loans	**9,566,167**	11,231,117
Finance lease	**143,833**	499,782
	14,587,413	16,127,988
Unsecured at amortised cost:		
Other loans	**7,151,113**	1,483,218
	21,738,526	17,611,206
Current portion	**9,053,067**	10,450,622
Non-current portion	**12,685,459**	7,160,584
	21,738,526	17,611,206

(i) The Group has a bank loan for $5,430,900 (Dec 31st, 2013 - $5,286,000) under a term loan facility. The loan bears interest at UK base rate plus 2.25% and is repayable in four equal six-monthly repayments between October 2016 and April 2018. This loan is subject to certain financial covenants calculated by reference to the most recent published audited accounts of Dynex Semiconductor Limited, which as at the date of these financial statements, are the December 31, 2013 financial statements. The loan is secured by a first charge on property, plant and equipment (excluding the freehold land & buildings and equipment under leases and chattel mortgages) and current assets. At September 30th, 2014 these assets have a carrying value of $52,112,742 (Dec 31st, 2013 - $53,018,082).

(ii) The Group has a bank loan for $551,356(Dec 31st, 2013 - $659,712). The loan bears interest at an effective interest rate of 4.3% per annum and is repayable in monthly instalments between October 2013 and September 2017. The loan is secured by a chattels mortgage on equipment with a carrying value of $660,533 (Dec 31st, 2013 - $724,268).

(iii) The Group has a bank overdraft facility of $5,466,900 (Dec 31st, 2013 - $5,286,000). The overdraft bears interest at UK base rate plus 2.32% on balances up to the approved overdraft limit and at the bank's standard interest rate on balances over the approved limit. Any loans under the facility are repayable on demand. The overdraft facility is secured under the same charge as in (i) above. At September 30th, 2014 $650,985 was drawn under the facility (Dec 31st, 2013 - $4,397,089).

(iv) The Group has a bank loan for $3,583,911 (Dec 31st, 2013 - $4,796,398). The loan bears interest at LIBOR plus 2.30% and is repayable in equal quarterly instalments ending in August 2016. The loan is secured by a fixed charge on the freehold land and buildings which have a carrying value of $8,082,848 (Dec 31st, 2013- $7,963,214). At September 30th, 2014 and December 31st, 2013 the Group was in breach of the covenants on this loan and, as a result, it has been reclassified as current borrowing in the Interim Condensed Consolidated Statement of Financial Position.

11. BORROWINGS (continued)

(v) The Group has bank loans for $nil (Dec 31st, 2013 - $489,007) in respect of certain bills of exchange receivable which were discounted for immediate funds with recourse. The loans were fully repaid during the first quarter of 2014 when the bills matured. The loans were secured against the bill receivable to which they relate which have a carrying value of $nil (Dec 31st, 2013 - $483,492).

(vi) The finance leases are secured by the equipment leased which has a carrying value of $143,883 (Dec 31st, 2013 - $487,688).

(vii) The Group has an unsecured loan from CSR Times Electric for $5,601,567 (Dec 31st, 2013 - $nil). The loan bears interest at 5% per annum and is repayable in five equal six-monthly repayments between December 2016 and December 2018. (Note 14)

(viii) The Group has an unsecured loan from a fellow subsidiary of CSR Times Electric for $1,130,051 (Dec 31st - $1,099,900). The loan bears interest at 3.25% and is repayable on September 7th, 2015 (Note 14).

(ix) The Group has an unsecured interest free loan from an unrelated party for $286,418 (Dec 31st, 2013 - $383,318). The loan is repayable in quarterly instalments ending in September 2016.

(x) The Group has an unsecured loan for $33,075 (Dec 31st, 2013 - $nil) which is repayable in equal monthly instalments ending in December 2014.

12. SHARE CAPITAL

At September 30th, 2014 there were 80,509,047 common shares of the company outstanding (Dec 31st, 2013 – 80,509,047).

13. MOVEMENTS IN WORKING CAPITAL

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

	YTD Sept 30th 2014	YTD Sept 30th 2013
	$	$
(Increase) in inventories	**(4,136,119)**	(2,358,334)
Decrease (increase) in trade receivables	**1,516,999**	(1,899,960)
(Increase) in prepayments, deposits & other receivables	**(1,273,293)**	(469,013)
(Increase) decrease in amounts owing from parent company	**(1,255,089)**	609,271
(Decrease) increase in trade payables	**(864,241)**	1,697,134
Increase (decrease) in other payables & accruals	**8,894,696**	(1,271,066)
(Decrease) in provisions	**(12,636)**	(145,353)
(Decrease) increase in amounts owing to parent	**(658,492)**	273,699
	2,211,825	(3,563,622)

14. 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 Sept 30th 2014	3 months Sept 30th 2013	**YTD Sept 30th 2014**	YTD Sept 30th 2013
		$	$	**$**	$
Transactions with CSR Times Electric:					
Sale of goods	(i) (ii)	**30,276**	1,194,521	**4,415,765**	4,481,462
Rendering of services	(iii)	**289,157**	390,817	**974,413**	1,166,604
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	**1,340,051**	954,837	**3,855,894**	2,717,782
Reimbursed expenses	(v)	**47,818**	4,801	**257,242**	139,993
Purchases of materials and components	(vi)	**844,193**	845,822	**2,280,223**	2,398,380
Interest expense	(vii)	**74,602**	-	**145,027**	-
Transactions with CSR Corporation Ltd:					
Rendering of services	(viii)	**-**	100,613	**-**	100,613
Reimbursed expenses	(v)	**18,156**	-	**18,156**	-
Transactions with fellow group subsidiaries:					
Sale of goods	(ix)	**438,621**	533,680	**1,408,822**	1,756,201
Interest expense	(x)	**9,088**	8,934	**27,340**	26,164
Transactions with other parties:					
Non-exective directors fees	(xi)	**5,000**	5,000	**15,000**	15,000
Legal fees and expenses	(xii)	**21,827**	15,020	**61,461**	54,174

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Sept 30th 2014	Dec 31st 2013
		$	$
Balances with CSR Times Electric:			
Amounts owing from parent company	(i) - (v)	**3,823,124**	2,474,748
Amounts owing to parent company	(i) (vi)	**897,897**	1,504,288
Other payables and accruals	(iii) (iv) (vii)	**7,882,207**	280,539
Borrowings	(vii)	**5,601,567**	-
Balances with CSR Corporation Ltd			
Amounts owing from parent company	(viii)	**-**	13,150
Balances with fellow group subsidiaries:			
Trade receivables	(ix)	**346,620**	87,409
Borrowings	(x)	**1,130,051**	1,099,900
Other payables and accruals	(x)	**27,808**	-
Balances with other parties:			
Other payables and accruals	(xi)	**10,000**	10,000
Trade payables	(xii)	**5,650**	12,753
Other payables and accruals	(xii)	**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, Africa and parts of Asia. 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) 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. On February 7th, 2014 the Group signed a new agreement with CSR Times Electric to continue providing this support for a further three year period commencing January 1st, 2014. Under the new agreement it is estimated that the costs for the project will be $4.7m and CSR Times Electric will pay 25% of their contribution in advance. The advance was received in April 2014.

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(iv) 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 this agreement CSR Times Electric provided funding of 80% of the costs and the Group provided 20%. On February 7th, 2014 the Group signed a new agreement with CSR Times Electric to continue sharing these costs for a further three year period commencing January 1st, 2014 with CSR Times Electric continuing to provide funding of 80% of the costs and the Group 20%. Under the new agreement it is estimated that the total costs for the project will be $36.4m and CSR Times Electric will pay 25% of their contribution in advance. The advance was received in April 2014.

(v) From time to time the Group pays incidental expenses in the UK on behalf of CSR Times Electric and other members of the CSR Group. These costs are reimbursed in full.

(vi) The Group uses CSR Times Electric to make purchases of materials and components for it in China.

(vii) In March 2014 the Group received a loan for approximately $5.5m from CSR Times Electric to purchase new manufacturing equipment. The loan bears interest at 5% per annum and is repayable between December 2016 and December 2018.

(viii) The Group provided a management training course to CSR Corporation Ltd, a subsidiary of the ultimate parent company of CSR Times Electric.

(ix) 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.

(x) On September 7th, 2012 the Group was provided with a loan for approximately C$1 million by CSR Times Electric (Hong Kong) Co., Ltd, a fellow subsidiary of CSR Times Electric, to purchase equipment. The loan bears interest at 3.25% per annum and is due to be repaid on September 7th, 2015.

(xi) Two of the Company's non-executive directors receive a fee for their services.

(xii) 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, other than loans, are recorded as current liabilities and current assets since they are due upon demand or on the basis of normal creditor terms. Amounts due under loans are recorded as current liabilities or non-current liabilities according to the dates on which repayments are due to be made.

15. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the board of directors of Dynex Power Inc. on November 13th, 2014.

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

Stock Exchange Listing

Toronto Ventures Exchange
Symbol: DNX

Auditors

Canada – Deloitte LLP
UK – Deloitte LLP

Legal Counsel

LaBarge Weinstein LLP
Ottawa, Ontario

Transfer Agent

Computershare Trust Company of Canada

Senior Officers, VP's & Senior Managers

Paul Taylor
President & CEO

Bob Lockwood
VP Finance, CFO & Co. Secretary

Mark Kempton
Operations Director

George Guo
Sales & Marketing Director

Bill McGhie
Power Electronic Assemblies Business Manager

Andy Dai
Technology Director

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