
DYNEX POWER INC.

**REPORT FOR THE QUARTER ENDED
MARCH 31ST 2015**



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. 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
- 334 employees (March 2015)
- 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

During the first quarter of 2015 there is no disguising the fact that Dynex delivered a poor set of financial results. The cancellation of a major bipolar contract earlier in the year, and a stop on deliveries to our parent company during the quarter, meant that our revenue was lower than we would have hoped and our costs higher. The result is a large loss for the quarter.

As reported in our Annual Report for 2014, an unexpected major bipolar cancellation and customer return at the end of that year completely overshadowed our financial results. Although the costs associated with this event were all included in the 2014 financial accounts, there was also an adverse impact on 2015. The impact includes a cancellation of a major portion of the order book for 2015, a significant effect on our cash flow during 2015, and a requirement to rework some products absorbing some production capacity. These consequences are expected to weaken our revenue and our profitability through the year.

Despite this major problem, Dynex and the affected customer have continued to maintain a very strong and friendly relationship and Dynex continues to trade with them, providing both product and services, into an important and growing market sector. Benefits of this strong relationship are expected in future years and we are already in discussion with them about our future business.

Our focus during the first quarter of 2015 has been to recover from the impact of the bipolar cancellation and product return, work hard to reduce our production costs, and set the business onto a stronger foundation for the future.

As part of this process we have adjusted our cost base in line with the impact of this event and we have thoroughly reviewed our contract and technical procedures to reduce the financial risk associated with such an event in the future.

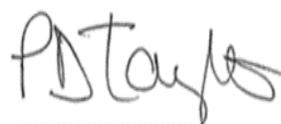
In particular, we took immediate action to implement a redundancy exercise and a strengthening of our management organisation, which resulted in 27 employees being made redundant. This was the first such redundancy exercised carried out by Dynex in the last 10 years. The cost of this exercise amounted to nearly \$500,000, which costs are included in the first quarter's results. However even this action cannot fully override the impact of such a major cancellation on our gross margins.

Also during the quarter we were instructed by our parent company to stop delivery of module die product whilst they resolved a technical issue being experienced in their production facility in China. Dynex cooperated fully with our Chinese colleagues in identifying and resolving this technical issue. However, a full resolution was not achieved until May 2015 and consequently Dynex lost significant revenue during the interim period. I am pleased to be able to report that the shipment of die to China has now resumed and that it was determined that there was no blame attributed to the Dynex product, which has performed well.

The whole team at Dynex is working hard to overcome these setbacks and the good news is that we expect a much stronger second quarter and a return to profitability. All our main product lines, modules, bipolar and power assemblies have a favourable forecast for the second quarter. We therefore expect the coming quarter to be profitable, although it may not fully offset the losses in the first quarter.

Regrettably, at the moment, the outlook for the second half of 2015 is unclear. Orders have slowed and although we can see good demand opportunity expressed by our customers, it is not clear whether those orders will arrive in time to deliver products in 2015 or whether it will be 2016 before that demand turns into revenue.

As always, Dynex management is very grateful for the loyalty and support it receives from its shareholders. Like you, we are disappointed by the recent events that have adversely affected our business. Yet we remain convinced that our strategy of working closely with our parent company, Zhuzhou CSR Times Electric, and maintaining a strong focus on R&D activity, is sound. We are committed to following this core strategy whilst taking the necessary actions to overcome the recent setbacks and achieve a dramatic improvement in our performance.



Paul Taylor
President and Chief Executive Officer
May 27th, 2015

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, 2015.

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 Condensed Consolidated Financial Statements:

	<u>£1 equals</u>
Average rate January to March 2015	C\$1.8688
Average rate January to March 2014	C\$1.8254
Rate at March 31st, 2015	C\$1.8508
Rate at December 31st, 2014	C\$1.8060

As illustrated, the Canadian Dollar rate against Sterling for the first quarter of 2015 was 2% lower than in the first quarter of 2014. Consequently, exchange rate movements had little impact on reported revenue and expenditure in the quarter.

The Canadian Dollar rate against Sterling at March

31st, 2015 was approximately 2% weaker than the rate at December 31st, 2014. Consequently, the change in rates had little impact on assets and liabilities at the period end.

Redundancy Exercise

In the Management's Discussion & Analysis which accompanied the Annual report for 2014, Dynex reported the cancellation of a sales contract and product return by a customer. As was then reported, the cancellation included a large contract due to be delivered in 2015. As a result of this contract cancellation, the level of revenue in 2015 is likely to be less than had previously expected. In response to this, Management implemented a redundancy exercise in February 2015 which resulted in 27 employees being made redundant. This was the first such redundancy exercised carried out by the Group in the last 10 years. The cost of this exercise amounted to nearly \$500,000, which costs are included in the first quarter's results.

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

Revenue in the first quarter of 2015 was below the level reported in the fourth quarter of 2014. The low level of revenue and the need to account for the redundancy exercise referred to above resulted in a net loss of \$2.8 million for the quarter.

The Company's booking to billing ratio for the quarter was 0.86. The level of bookings was disappointing and reflected the current difficult conditions being faced by the Group. At the present time bookings are taking longer than normal to be received which is leading to uncertainty about performance in the second half of the year.

Revenue

Revenue for the first quarter of 2015 was \$9.5 million, \$1.9 million or 17% lower than in the corresponding quarter of last year. The whole of the change was accounted for by a reduction in sales of IGBT die to the Group's parent company in China.

Deliveries to China were placed on hold in February, March and April whilst a technical issue was being resolved. Deliveries recommenced in May.

Gross Margin

The negative gross margin of 16.0% of revenue in the first quarter of 2015 compared to a positive gross margin of 8.8% of revenue in the first quarter of 2014. The fall in gross margin reflected the low revenue figure for the quarter and the cost of the redundancy exercise referred to above.

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 13.1% of revenue in the first quarter of 2015 compared to 10.6% in the corresponding quarter of last year. The increase reflected the fall in revenue between the two quarters rather than an increase in absolute cost.

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 2015 was \$100,000. This was \$276,000 or 74% lower 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 rose to 20.4% of revenue in the first quarter of 2015 compared to 14.1% of revenue in the corresponding quarter of last year. The fall in revenue between the two periods makes this increase larger than it would otherwise be, but there was a strong growth in research and

development work with the gross expenditure on research and development increasing by 20%.

Finance Costs

Finance costs for the quarter were \$207,000, compared to \$158,000 in the corresponding quarter of last year. The increase is a result of a higher level of borrowings.

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 \$3.4 million compared with a loss before tax of \$634,000 in the corresponding quarter of last year.

Income Tax Expense

The Group recorded a tax release in the quarter equivalent to 17.7% of the loss before tax compared with a release of 18.6% in the corresponding quarter of last year. The reduction reflects a fall in UK tax rates.

Net Loss

The Group reported a net loss of \$2.8 million in the first quarter of 2015 compared to a net loss of \$516,000 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.

Non-Current Assets

The net value of non-current assets rose from \$41.1 million at the end of last year to \$41.9 million at the end of the first quarter.

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 2015, working capital stood at \$8.2 million or 0.85 times first quarter revenue compared to \$7.6 million or 0.75 times quarter four

revenue at the end of December 2014.

Net Debt

At the end of March 2015, the Group had net debt (borrowings less cash) of \$19.7 million. At the end of December 2014, it had net debt of \$16.3 million.

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

Equity

Equity decreased by \$2.0 million since the end of the preceding year. The decrease resulted from the net loss of \$2.8 million and an exchange gain on translation of the UK subsidiary of \$807,000.

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 2015, the Group had a gearing ratio of 64.9%. At the end of the preceding year, the Group had a gearing ratio of 50.2%. Management regards this level of borrowing as higher than would be desirable and in the medium term management intends to reduce it.

Borrowing Facilities

In previous years, the Group sought to have committed facilities sufficient to meet its expected financing needs for the next two years. However, the Group now primarily uses uncommitted facilities which are cheaper and more flexible than committed facilities. Management believes that these facilities are unlikely to be withdrawn by the bank providing them in view of the bank's relationship with CSR Times Electric. The Group had \$264,000 of cash at the quarter end.

Cash Flow

There was an outflow of \$2.2 million from operating activities in the quarter. The main constituent of the cash outflow was the loss before tax for the quarter of \$3.4 million partially offset by depreciation of \$1.3 million.

Commitments

The Group has capital commitments at the quarter end of \$1.6 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 not issued any guarantees of any third party debts or performance.

Selected Financial Information

	2015	2014	2014	2014	2014	2013	2013	2013	2014	2013	2012
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	FY	FY	FY
Revenue	9,546	10,128	10,410	10,178	11,450	12,875	9,523	9,959	42,166	39,234	39,615
Gross Profit	(1,523)	(4,066)	1,174	1,435	1,017	146	114	1,934	(441)	1,945	6,732
Gross profit %	(16.0%)	(40.1%)	11.3%	14.1%	8.8%	1.1%	1.2%	19.4%	(1.0%)	5.0%	17.0%
Gross R&D %	20.4%	14.5%	15.5%	16.8%	14.1%	11.3%	14.3%	12.0%	15.2%	13.2%	10.6%
Profit before Tax	(3,378)	(5,237)	(261)	(387)	(634)	(1,324)	(1,274)	608	(6,518)	(3,394)	1,233
Net Profit	(2,781)	(4,502)	(222)	(308)	(516)	(993)	(840)	527	(5,548)	(2,410)	1,066
Earnings per Share											
Basic	(0.03)	(0.06)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.01	(0.07)	(0.03)	0.01
Diluted	(0.03)	(0.06)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.01	(0.07)	(0.03)	0.01
Non-current assets	41,942	41,078	41,212	40,345	38,089	36,160	33,741	33,072	41,078	36,160	33,706
Working capital	8,156	7,565	15,687	12,233	16,778	17,724	16,965	14,810	7,565	17,724	12,428
Net debt	19,689	16,260	19,908	15,125	16,908	16,836	14,907	12,470	16,260	16,836	9,854
Equity	30,409	32,383	36,991	37,453	38,059	37,048	35,799	35,412	32,383	37,048	36,283
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 2012, 2013 and 2014 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 declined by approximately 1% between 2012 and 2013 but grew by approximately 7% between 2013 and 2014. Quarterly revenue has remained steady throughout most of the period apart from in the last quarter of 2013 and the first quarter of 2014. The Group reported record quarterly revenue in the fourth quarter of 2013 with strong sales of power assembly products, bipolar devices and integrated circuits. The first quarter of 2014 saw

strong sales of modules and IGBT die to China and of bipolar devices.

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 loss reported in 2014 resulted from the costs associated with a major contract cancellation and return of product by a customer. In 2013, only in the second quarter did the gross profit percentage reach reasonable. The 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 recovered in the first three quarters of 2014 but was still below the level management expects to achieve. The gross loss in the fourth quarter of 2014 resulted from the costs associated with a major contract cancellation and return of product by a customer. The gross loss in the first quarter of 2015 is a result of the low revenue figure which reflects a tough marketplace currently being experienced.

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 profit before tax reflects the strength of the gross profit in any particular period. The quarterly figures follow the same trend. The net profit reflects the strength of profit before tax in any particular period.

The figures for non-current assets show continued investment throughout the business.

Working capital levels, which were generally equivalent to less than four month's revenue in 2012 had risen to over five month's revenue in 2013. The provision for payments to be made to a customer on the cancellation of a major contract and the return of product by a customer resulted in the level of working capital at the end of 2014 falling to just over two weeks revenue. The figures for the last three quarters of 2013 and the first three quarters of 2014 reflect the higher levels of working capital that were being experienced. The increase reflects 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 figures for the last quarter of 2014 and the first quarter of 2015 reflect the lower working capital levels after the cancellation of a major contract and the return of product by a customer. The level of working capital is expected to rise over the next two quarters as the impact of that product return work through.

The Group had \$9.9 million of net debt at the end of 2012. This figure has risen steadily since then in order to fund increased investment in non-current assets, the rise in working capital throughout most of 2013 and 2014 and the losses being incurred throughout the period.

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 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.

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 March 31st, 2015 the carrying amount of non-current assets was \$41.3 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, 2015 the provision against inventories was \$10.8 million and the carrying amount of inventories was \$15.2 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, 2015 the provision was \$178,000 and the net carrying amount of trade receivables was \$6.2 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, 2015 the carrying value of provisions was \$1,657,441.

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, 2015, 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 \$377,000 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 \$1.5 million of goods and \$461,000 of services to CSR Times

Electric, received a contribution towards research and development of \$1.5 million and purchased materials and components from them for \$1.6

million. The Group also sold \$885,000 of goods to a fellow subsidiary of CSR Times Electric and paid \$12,000 in interest on a loan from another fellow subsidiary of CSR Times Electric. The Group incurred expenses in the UK of \$103,000 on behalf of CSR Times Electric which expenses were reimbursed to the Group.

At March 31st, 2015 the Group was owed \$2.3 million for goods and services sold to CSR Times Electric and owed them \$1.5 million for materials and components purchased from them. At the end of the quarter \$6.6 million of the advanced payment received for research and development and technical support was unearned income and as such is shown under other payables and accruals. The Group was also owed \$1.4 million by a fellow subsidiary which is reported under trade receivables.

The Group has a loan of \$6.2 million from CSR Times Electric and a loan of \$1.2 million from a fellow subsidiary of CSR Times Electric. At March 31st, 2015 an amount of \$108,000 and an amount of \$12,000 were outstanding for interest under these loans.

The Group paid \$354,000 in compensation during the quarter to its key management personnel.

The Group purchased services from a law firm in Canada during the quarter for \$10,000. At March 31st, 2015, \$10,000 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Outlook

Revenue from bipolar discrete products is forecast to increase slightly in the second quarter of 2015 from its level in the first quarter. It is difficult to forecast sales in the third and fourth quarters at the moment, but these may be weaker than in the first two quarters.

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 is forecast to increase in the second quarter of 2015 and should remain at similar levels for the rest of the year.

Revenue from the sales of power assemblies was low in the first quarter of 2015 and is forecast to increase significantly in the second quarter. It is difficult to forecast revenue in the third and fourth quarters at the moment.

Revenue from services should remain steady in the second quarter of 2015 and also for the final two quarters of the year.

Revenue from sales of integrated circuits were low in the first quarter of 2015 and are expected to remain low for the rest of the year.

Overall, revenue in the first quarter of 2015 was lower than expected. It is expected to increase significantly the second quarter. Revenue for the third and fourth quarters is difficult to predict at the moment.

At the end of March 2015, the order book stood at \$15.2 million, slightly higher than the figure at the end of 2014 of \$14.0 million.

The business reported a net loss of \$2.8 million in the first quarter of 2015. A return to profitability is expected in the second quarter although this will probably not be sufficient to make the Group profitable for the first half of 2015. At the present time it is difficult to forecast the result in the third and fourth quarters, but management is targeting breakeven or slightly better for the full year.

Additional Information

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



Bob Lockwood.
Vice President and Chief Financial Officer
May 27th, 2015

DYNEX POWER INC.**Condensed Consolidated Statement of Comprehensive Income (unaudited) in Canadian Dollars
Quarter Ended March 31st, 2015**

		3 months Mar 31st 2015	3 months Mar 31st 2014
	Note	\$	\$
Revenue	5, 6	9,545,535	11,449,504
Cost of sales		(11,068,923)	(10,432,788)
Gross (loss)/profit		(1,523,388)	1,016,716
Other income	6	37,251	58,730
Sales and marketing expenses		(255,285)	(278,145)
Administration expenses		(999,109)	(934,011)
Research and development expenses	7	(99,848)	(377,434)
Finance costs		(207,308)	(158,284)
Other (losses)/gains		(329,985)	38,475
Loss before tax	7	(3,377,672)	(633,953)
Income tax recovery		596,678	118,224
Net loss		(2,780,994)	(515,729)
Other comprehensive income			
Exchange differences on translation of foreign operations (net of tax of \$nil)		807,170	1,526,519
Total comprehensive (loss)/income for the period		(1,973,824)	1,010,790
Loss per share			
Basic	8	(0.03)	(0.01)
Diluted	8	(0.03)	(0.01)

All results are derived from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 19 to 30.

DYNEX POWER INC.**Condensed Consolidated Statement of Financial Position (unaudited) in Canadian Dollars****As at March 31st, 2015**

		Mar 31st	Dec 31st
		2015	2014
	Note	\$	\$
NON-CURRENT ASSETS			
Intangible assets	9	1,187,755	1,150,380
Property, plant & equipment	9	40,163,535	39,883,946
Deferred tax asset		590,931	-
Derivative financial instruments		44,706	43,624
<hr/>			
Total non-current assets		41,986,927	41,077,950
<hr/>			
CURRENT ASSETS			
Inventories		15,159,351	14,428,876
Trade receivables		4,443,284	9,048,235
Amounts owing from parent company	14	2,317,635	2,764,112
Prepayments, deposits & other receivables		1,520,264	1,096,467
Tax recoverable		3,037	2,965
Cash		263,637	894,609
<hr/>			
Total current assets		23,707,208	28,235,264
<hr/>			
CURRENT LIABILITIES			
Trade payables		3,803,580	7,073,578
Amounts owing to parent company	14	1,475,223	667,817
Other payables and accruals	10	8,351,361	10,156,373
Borrowings	11	12,494,294	4,171,108
Provisions		1,601,917	1,824,060
<hr/>			
Total current liabilities		27,726,375	23,892,936
<hr/>			

DYNEX POWER INC.**Condensed Consolidated Statement of Financial Position (Unaudited) in Canadian Dollars (continued)**

As at March 31st, 2015

		Mar 31st	Dec 31st
		2015	2014
	Note	\$	\$
NON-CURRENT LIABILITIES			
Borrowings	11	7,503,097	12,983,135
Provisions		55,524	54,180
Total non-current liabilities		7,558,621	13,037,315
<hr/>			
NET ASSETS		30,409,139	32,382,963
<hr/>			
EQUITY			
Share capital	12	37,096,192	37,096,192
Accumulated deficit		(10,197,634)	(7,416,640)
Exchange fluctuation reserve		3,510,581	2,703,411
TOTAL EQUITY		30,409,139	32,382,963

These financial statements should be read in conjunction with the notes set out on pages 19 to 30.

DYNEX POWER INC.**Condensed Consolidated Statement of Changes in Equity (unaudited) in Canadian Dollars
Quarter Ended March 31st, 2015**

	Share Capital	Deficit	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$
At January 1st, 2014	37,096,192	(1,868,823)	1,820,588	37,047,957
Total comprehensive income for the period	-	(515,729)	1,526,519	1,010,790
At March 31st, 2014	37,096,192	(2,384,552)	3,347,107	38,058,747
Total comprehensive income for the period	-	(5,032,088)	(643,696)	(5,675,784)
At December 31st, 2014	37,096,192	(7,416,640)	2,703,411	32,382,963
Total comprehensive income for the period	-	(2,780,994)	807,170	(1,973,824)
At March 31st, 2015	37,096,192	(10,197,634)	3,510,581	30,409,139

These financial statements should be read in conjunction with the notes set out on pages 19 to 30.

DYNEX POWER INC.**Condensed Consolidated Statement of Cash Flows (unaudited) in Canadian Dollars
Quarter Ended March 31st, 2015**

	3 months Mar 31st 2015	3 months Mar 31st 2014
Note	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(3,377,672)	(633,953)
Finance costs recognised in loss before tax	207,308	158,284
Investment income recognised in loss before tax	-	(2,143)
Amortization of intangible assets	39,286	24,176
Depreciation of property, plant & equipment	1,284,525	1,050,132
Provision for slow moving and obsolete inventory	57,189	(11,480)
Non cash movement in provisions	-	35,705
Movements in working capital	(398,194)	1,638,988
Income taxes received/(paid)	2	143,294
	(2,187,556)	2,403,003
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for intangible assets	(18,320)	(73,750)
Payments for property, plant & equipment	(627,677)	(1,383,306)
Interest received	-	2,143
	(645,997)	(1,454,913)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	7,936,782	6,716,967
Repayments of borrowings	(5,354,906)	(1,246,986)
Interest paid	(236,518)	(161,645)
Payments for other finance costs	-	(26,194)
	2,345,358	5,282,142
NET DECREASE IN CASH	(488,195)	6,230,232
Cash at beginning of period	894,609	775,071
Effect of foreign currency translation on cash	(142,777)	(16,613)
CASH AT END OF PERIOD	263,637	6,988,690

All operating cash flows derive from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 19 to 30.

DYNEX POWER INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

Quarter Ended March 31st, 2015

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, 2014.

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, 2014 and should be read in conjunction with those statements which are included in the Group’s Annual Report for 2014.

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.

DYNEX POWER INC.

Notes to the Condensed Consolidated Financial Statements (unaudited)

Quarter Ended March 31st, 2015

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 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, 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 the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative costs not within the scope of the standard. This IFRS, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

IFRS 15: Revenue from Contracts with Customers

Issued in May 2014, IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The main principle of this standard is that an entity shall recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. In April 2015, the IASB tentatively decided to defer the effective date by one year. Application of IFRS 15 is currently mandatory for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. If the proposed deferral of the effective date is finalized, IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption still permitted. The Company is in the process of assessing the impact of this standard on its 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, 2014.

DYNEX POWER INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
Quarter Ended March 31st, 2015

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 Mar 31st 2015	3 months Mar 31st 2014
	\$	\$
United Kingdom	1,983,507	3,454,546
China	1,984,682	3,397,056
France	969,547	1,283,170
India	1,057,423	755,334
Other (None > 10%)	3,550,376	2,559,398
	9,545,535	11,449,504

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, 2015 the Group had two customers each accounting for more than 10% of revenue, generating \$2,866,490 (CSR Times Electric Group) and \$1,249,457 respectively (Mar 31st, 2014 – two customers each accounting for more than 10% of revenue, generating \$3,565,373 (CSR Times Electric Group) and \$2,611,759 respectively).

DYNEX POWER INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
Quarter Ended March 31st, 2015

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 2015	3 months Mar 31st 2014
	\$	\$
Revenue:		
Sale of goods	8,990,341	11,098,655
Rendering of services	555,194	350,849
	9,545,535	11,449,504
Other Income:		
Sale of scrap materials	33,160	48,817
Bank interest income	-	2,143
Government grants	1,486	1,447
Other income	2,605	6,323
	37,251	58,730

DYNEX POWER INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
Quarter Ended March 31st, 2015

7. LOSS BEFORE TAX

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

	3 months Mar 31st 2015	3 months Mar 31st 2014
	\$	\$
Cost of inventories sold	10,513,729	10,081,939
Staff costs (including director's remuneration):		
Wages and salaries	4,978,644	4,160,181
Other benefits	233,972	177,143
Foreign Exchange differences (net)	361,794	(38,475)
Depreciation of items of property, plant and equipment charged to:		
Cost of sales	1,105,903	885,505
Overheads	217,908	164,627
Research and development expenses (before government grants and contribution from CSR Times Electric)	1,942,760	1,615,501
Contribution from CSR Times Electric	(1,466,752)	(1,207,505)
Government grants:		
Research and development	(377,243)	(30,562)
Property plant and equipment	(1,486)	(1,447)
Provision for slow moving and obsolete inventories	57,189	(11,480)

DYNEX POWER INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****Quarter Ended March 31st, 2015****8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS**

Loss per share calculations are based on:

	3 months Mar 31st 2015	3 months Mar 31st 2014
	<u>\$</u>	<u>\$</u>
Earnings:		
Loss attributable to ordinary equity holders used in both basic and diluted earnings per share calculations	<u>(2,780,994)</u>	<u>(515,729)</u>
Shares:		
Weighted average number of ordinary shares outstanding during the period used in both basic and diluted earnings per share calculations	<u>80,509,047</u>	<u>80,509,047</u>

9. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

In the quarter ended March 31st, 2015 the Group acquired intangible assets and property, plant and equipment with an aggregate cost of \$610,000 (Mar 31st, 2014 - \$1.5 million).

In the quarters ended March 31st, 2015 and March 31st, 2014 the Group disposed of no intangible assets or items of property, plant and equipment.

At March 31st, 2015 the Group has commitments for the purchase of intangible assets and property, plant and equipment of \$1.6 million (Dec 31st, 2014 - of \$1.7 million).

DYNEX POWER INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
Quarter Ended March 31st, 2015

10. OTHER PAYABLES AND ACCRUALS

	Mar 31st	Dec 31st
	2015	2014
	\$	\$
Accruals	1,453,301	1,092,600
Unearned income	6,304,658	8,499,106
Other	593,402	564,667
	8,351,361	10,156,373

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:

		Mar 31st	Dec 31st
		2015	2014
	Note	\$	\$
CSR Times Electric	14	6,891,082	6,916,861
Fellow group subsidiaries	14	51,665	-
		6,942,747	6,916,861

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 at the end of the contract become repayable at the end of the projects.

DYNEX POWER INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
Quarter Ended March 31st, 2015

11. BORROWINGS

		Mar 31st 2015	Dec 31st 2014
	Note	\$	\$
Secured at amortised cost:			
Bank overdrafts		1,042,634	831,379
Bank loans		10,626,248	9,053,462
Finance leases		19,154	37,018
		11,688,036	9,921,859
Unsecured at amortised cost:			
Other loans	14	8,309,355	7,232,384
		19,997,391	17,154,243
Current portion			
Non-current portion		12,494,294	4,171,108
		7,503,097	12,983,135
		19,997,391	17,154,243

- (i) The Group has an uncommitted money market facility for \$9,254,000 and an approved overdraft limit of \$1,850,800. The interest rate on the uncommitted money market facility is set when drawings are made. Current drawings carry interest at 0.6%. The interest rate on the overdraft is set at UK Base Rate plus 3.34%. Both facilities are supported by CSR Times Electric. At March 31st, 2015 \$7,403,200 was drawn on the money market facility and \$1,042,634 was borrowed under the overdraft facility (Dec 31st, 2014 the Group had a bank loan for \$5,418,000 and an overdraft of \$831,379 under an approved facility of \$5,418,000). The new facilities were put in place and the previous facilities were cancelled in March 2015. The new facilities are 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. The old facilities had been secured by a similar charge. At March 31st, 2015 these assets have a carrying value of \$55,064,700 (Dec 31st, 2014 - \$59,370,498).
- (ii) The Group has a bank loan for \$474,980 (Dec 31st, 2014 - \$506,989). 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 \$624,774 (Dec 31st, 2014 - \$677,331).
- (iii) The Group has a bank loan for \$2,748,068 (Dec 31st, 2014 - \$3,128,474). The loan bears interest at LIBOR plus 2.30% and is repayable in quarterly instalments between February 2013 and August 2016. The loan is secured by a fixed charge on the freehold land and buildings which have a carrying value of \$8,196,436 (Dec 31st, 2014- \$8,030,842).
- (iv) The finance leases are secured by the equipment leased which has a carrying value of \$29,537 (Dec 31st, 2014 - \$40,539).
- (v) The Group has an unsecured loan from CSR Times Electric for \$6,220,569 (Dec 31st, 2014 - \$5,787,504). The loan bears interest at 5% per annum and is repayable in five equal six-monthly repayments between December 2016 and December 2018.
- (vi) The Group has an unsecured loan from a fellow subsidiary of CSR Times Electric for \$1,179,792 (Dec 31st, 2014 - \$1,194,859). The loan bears interest at 3.25% and is repayable on September 7th, 2015.
- (vii) The Group has an unsecured interest free loan from an unrelated party for \$219,620 (Dec 31st, 2014 - \$250,021). The loan is repayable in quarterly instalments between December 2013 and September 2015.
- (viii) The Group has an unsecured loan from an unrelated party for \$411,423 (Dec 31st 2014-\$nil). The loan is repayable in monthly instalments between February and December 2015.

DYNEX POWER INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****Quarter Ended March 31st, 2015****12. SHARE CAPITAL**

At March 31st, 2015 there were 80,509,047 common shares of the company outstanding (Dec 31st, 2014 – 80,509,047).

13. MOVEMENTS IN WORKING CAPITAL

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

	Mar 31st 2015	Mar 31st 2014
	\$	\$
(Increase) decrease in inventories	(433,360)	129,937
Decrease in trade receivables	3,083,522	2,549,618
(Increase) in prepayments, deposits & other receivables	(400,749)	(442,497)
Decrease (increase) in amounts owing from parent company	2,312,904	(8,523,209)
(Decrease) increase in trade payables	(1,958,872)	44,510
(Decrease) increase in other payables &	(2,049,193)	8,224,065
(Decrease) in provisions	(269,991)	-
(Decrease) in amounts owing to parent	(682,455)	(343,436)
	(398,194)	1,638,988

DYNEX POWER INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****Quarter Ended March 31st, 2015****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	3 months
		Mar 31st	Mar 31st
		2015	2014
		<u>\$</u>	<u>\$</u>
<i>Transactions with CSR Times Electric:</i>			
Sale of goods	(i) (ii)	1,519,889	3,032,997
Rendering of services	(iii)	461,302	336,967
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	1,466,752	1,207,505
Reimbursed expenses	(v)	103,298	21,476
Purchases of materials and components	(i) (vi)	1,620,651	916,798
Interest expense	(vii)	85,206	-
<i>Transactions with fellow group subsidiaries:</i>			
Sale of goods	(ix)	885,299	195,409
Interest expense	(x)	11,983	9,103
<i>Transactions with other parties:</i>			
Compensation to key management personnel		354,000	266,000
Non-executive directors fees	(xi)	5,000	5,000
Legal fees and expenses	(xii)	10,486	15,291

DYNEX POWER INC.
Notes to the Condensed Consolidated Financial Statements (unaudited)
Quarter Ended March 31st, 2015

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Mar 31st	Dec 31st
		2015	2014
		\$	\$
<i>Balances with CSR Times Electric:</i>			
Amounts owing from parent company	(i) - (v)	2,317,635	2,764,112
Amounts owing to parent company	(i) (vi)	1,475,223	667,817
Other payables and accruals	(iii) (iv)	6,583,086	6,916,861
Borrowings	(vii)	6,220,569	5,787,504
Other payables and accruals	(vii)	307,996	-
<i>Balances with CSR Corporation Ltd</i>			
Amounts owing from parent company	(viii)	-	-
<i>Balances with fellow group subsidiaries:</i>			
Trade receivables	(ix)	1,395,605	1,274,822
Borrowings	(x)	1,179,792	1,194,859
Other payables and accruals	(x)	51,665	39,150
<i>Balances with other parties:</i>			
Other payables and accruals	(xi)	10,000	10,000
Trade payables	(xii)	5,650	5,650
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 paid 25% of their contribution in advance.

DYNEX POWER INC.**Notes to the Condensed Consolidated Financial Statements (unaudited)****Quarter Ended March 31st, 2015****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. CSR Times Electric paid 25% of their contribution in advance
- (v) From time to time the Group pays incidental expenses in the UK on behalf of CSR Times Electric. 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 May 27th, 2015.

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

Transfer Agent

Computershare Trust Company of Canada

Registered Office

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LaBarge Weinstein Professional Corporation
515 Legget Drive, Suite 800
Kanata
Ontario
K2K 3G4

Senior Officers, VP's & Senior Managers

Paul Taylor
President & CEO

Bob Lockwood
VP Finance, CFO & Co. Secretary

George Guo
Sales & Marketing Director

Mark Kempton
Operations Director

Bill McGhie
Power Assemblies Business Manager

Andy Dai
Technology Manager

Vincent Li
Technology Manager

Stephen Murphy
Quality Manager

Su Bailey
HR Manager

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