DYNEX POWER INC.

REPORT FOR THE QUARTER ENDED JUNE 30th 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.

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 incorporated in October 1999 and acquired 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
- 327 employees (June 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

Following a troubled first quarter, it is pleasing to report that in the second quarter Dynex was able to deliver an increased level of revenue compared to both the previous quarter and the corresponding period last year. Also, year to date, the level of revenue was similar to that reported for last year. However, the overall level of revenue did not fully meet management's expectations and we incurred additional manufacturing costs due to unexpected technical issues, resulting in a low gross margin and a net loss. Nevertheless, the net loss is significantly lower than that reported in the first quarter because of one off redundancy costs and the low revenue achievement in the first quarter.

Compared to management expectations, the revenue continued to be particularly low in IGBT modules and die. The IGBT line revenue is dependent on design in and customer qualification of new products and although this work is in the pipeline it is affected by many factors and has not been moving as quickly as originally anticipated.

Bipolar revenue was in line with our forecasts and Power Assemblies was ahead of forecast, yet both groups are still adversely affected by the on-going impact of the bipolar cancellation and customer return reported at the end of 2014. This impact includes a reduction in the order book for Bipolar, an adverse effect on cash and the requirement for Power Assembly rework that absorbs our production capacity. It is likely that this impact will continue to affect financial performance throughout 2015.

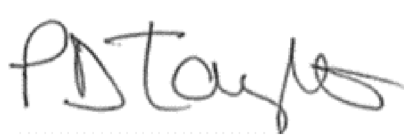
As we continue to fulfil our obligations with the major customer who enacted the aforementioned bipolar cancellation and product return, our relationship with that customer remains good and we are continuing to trade with them successfully in related product lines.

We have now completed the redundancy exercise reported last quarter, no related costs were incurred in the second quarter and the work to strengthen our management organisation is on-going. The effects are already showing benefit in our production and quality management teams.

As reported last quarter, in May 2015 our parent company resolved their technical issue that led them to suspend die delivery and shipments were resumed. These shipments have continued successfully and as a result the IGBT die revenue increased. Management expects these shipments to continue, although there remains some uncertainty in that demand that prevents us making a confident forecast for the next six months. However we can report that the technical and quality performance of the delivered die has continued to meet our customer's expectations. This validates the on-going work to improve process control and manufacturing yields and gives confidence about the future business.

The general market demand for Dynex products has remained at a low level, owing to the slow market recovery and stiff competition in all sectors. As a result the book to bill ratio was below unity and the forward order book is weak. Consequently, it is difficult to forecast our revenue levels for the second half year.

However, based on our current order book and the general view from our customers, we forecast that bipolar revenue will be sustained at first half levels, but power assembly and IGBT lines are likely to be lower than in the first half. Based on this expectation, management do not anticipate a return to profit in 2015. This situation may improve and Dynex is working hard to mitigate the adverse impact of a decline in revenue, yet at the same time continue to invest in R&D, training and development and sales and marketing in order to support future growth.



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

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 June 30th, 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 CRRC Corporation Limited which is therefore the Company's ultimate parent company. Both CSR Times Electric and CRRC Corporation Limited 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 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 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 April to June 2015	C$1.8836
Average rate January to June 2015	C$1.8762
Average rate April to June 2014	C$1.8288
Average rate January to June 2014	C$1.8271
Rate at June 30th, 2015	C$1.9418
Rate at December 31st, 2014	C$1.8060

As illustrated, the Canadian Dollar rate against Sterling for the second quarter and first half of 2015 was approximately 3% lower than in the second quarter and first half of 2014. Consequently, exchange rate movements had little impact on reported revenue and expenditure in the quarter and year to date.

The Canadian Dollar rate against Sterling at June 30th, 2015 was approximately 7.5% weaker than the rate at December 31st, 2014. Consequently, the change in rates had a significant impact on the value of 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

Revenue in the second quarter was above the level reported in the second quarter of 2014. Additional manufacturing costs due to unexpected technical issues resulted in an operating loss for the quarter.

The Company's booking to billing ratio for the quarter was 0.86, similar to the level in the previous quarter. This level of bookings is disappointing and reflects the difficult market conditions currently being experienced and is a cause of concern for the level of revenue to be achieved in the second half of the year.

Revenue

Revenue for the second quarter of 2015 was $12.0 million, $1.8 million or 17.8% higher than in the corresponding quarter of last year. The increase in revenue was as a result of very strong power assembly sales in the quarter partially offset by weak IGBT and bipolar revenues.

For the year to date, revenue was $21.5 million, $88,000 or less than 1% lower than in the first half of last year. Revenue from power assemblies was slightly higher than in the first half of 2014 with modest reductions recorded in bipolar and IGBT revenues.

Gross Margin

The gross margin was 6.3% of revenue in the second quarter of 2015 compared to a gross margin of 14.1% of revenue in the second quarter of 2014. The gross margin was below the range targeted by management and reflected weaker revenue than had been expected and additional manufacturing costs due to unexpected technical issues.

For the year to date, a negative gross margin of 3.6% compared to a gross margin of 11.3% in the first half of last year. 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 11.7% of revenue in the second quarter of 2015 compared to 12.3% in the corresponding quarter of last year.

For the year to date combined sales and marketing and administration expenses was 12.4% compared to 11.4% in the corresponding period of last year. The increase was as a result of the poor revenue reported in the first quarter of 2015.

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 Group reported a small net surplus from research and development for the second quarter of 2015 of $2,000 compared to a net expense of $389,000 in the corresponding quarter of last year.

For the year to date, net expenditure on research and development was $98,000, $668,000 or 87% lower than in the first half of 2014.

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 was 16.0% of revenue in the second quarter of 2015 compared to 16.8% of revenue in the corresponding quarter of last year.

However, for the year to date, gross research and development expenditure rose to 19.9% of revenue compared to15.4% of revenue in the corresponding period of last year. Gross expenditure on research and development increased by over $500,000 compared to the first half of last year.

Finance Costs

Finance costs for the quarter were $138,000, compared to $180,000 in the corresponding quarter of last year. The reduction reflected a change in the main bank facilitities from committed lines to uncommitted facilities supported by CSR Times Electric.

For the year to date, finance costs were $345,000 compared to $338,000 in the first half of 2014. The increase reflects higher borrowing during 2015 compared to 2014, partially offset by the reduction in rates following the change in facility referred to above that took place in the second quarter of 2015.

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 $520,000 compared with a loss before tax of $387,000 in the corresponding quarter of last year. The loss represents a significant reduction of the loss reported in the first quarter of 2015.

For the year to date, the Group reported a loss before tax of $3.9 million compared with a loss before tax in the first half of 2014 of $1.0 million.

Income Tax Expense

The Group recorded a tax release in the quarter equivalent to 19.3% of the loss before tax compared with a release of 20.5% of the loss before tax in the corresponding quarter of last year.

For the year to date, the tax release was 17.9% of the loss before tax, compared to 19.3% in the first half of last year.

Net Loss

The Group reported a net loss of $419,000 in the second quarter of 2015 compared to a net loss of $308,000 in the corresponding quarter of last year.

For the year to date, the Group reported a net loss of $3.2 million compared to a net loss of $823,000 in the first half of 2014.

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 $43.8 million at the end of the second quarter. The whole of this increase was accounted for by changes in exchange rates.

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 and amounts owing to parent company) compared to the revenue of the business.

At the end of June 2015, working capital stood at $6.7 million or 0.56 times second quarter revenue compared to $8.2 million or 0.85 times quarter four revenue at the end of December 2014.

Net Debt

At the end of June 2015, the Group had net debt (borrowings less cash) of $19.1 million. At the end of December 2014, it had net debt of $16.1 million. Approximately one third of this increase was a result of changes in exchange rates. The remainder of the increase arose from the need to finance the losses incurred in the first half of the year.

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

Equity
Equity decreased by $1.0 million since the end of the preceding year. The decrease resulted from the net loss of $3.2 million and an exchange gain on translation of the UK subsidiary of $2.2 million.

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 June 2015, the Group had a gearing ratio of 60.8%. At the end of the preceding year, the Group had a gearing ratio of 50.2%. Management does not regard this level of borrowing as excessive although in the medium to long 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 $2.1 million of cash at the quarter end.

Cash Flow
There was an inflow of $501,000 from operating activities in the first half of 2015. The main constituents of the cash inflow were a reduction in working capital of $1.6 million and depreciation of $2.6 million partially offset by the loss before tax of $3.9 million.

Commitments
The Group has capital commitments at the quarter end of $2.6 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 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2014 FY	2013 FY	2012 FY
Revenue	11,994	9,546	10,128	10,410	10,178	11,450	12,875	9,523	42,166	39,234	39,615
Gross Profit	756	(1,523)	(4,066)	1,174	1,435	1,017	146	114	(441)	1,945	6,732
Gross profit %	6.3%	(16.0%)	(40.1%)	11.3%	14.1%	8.8%	1.1%	1.2%	(1.0%)	5.0%	17.0%
Gross R&D %	16.0%	20.4%	14.5%	15.5%	16.8%	14.1%	11.3%	14.3%	15.2%	13.2%	10.6%
Profit before Tax	(520)	(3,378)	(5,237)	(261)	(387)	(634)	(1,324)	(1,274)	(6,518)	(3,394)	1,233
Net Profit	(419)	(2,781)	(4,502)	(222)	(308)	(516)	(993)	(840)	(5,548)	(2,410)	1,066
Earnings per Share											
Basic	(0.01)	(0.03)	(0.06)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.07)	(0.03)	0.01
Diluted	(0.01)	(0.03)	(0.06)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.07)	(0.03)	0.01
Non-current assets	43,804	41,942	41,034	41,212	40,345	38,089	36,160	33,741	41,078	36,160	33,706
Working capital	6,734	8,156	7,565	15,687	12,233	16,778	17,724	16,965	7,565	17,724	12,428
Net debt	19,108	19,689	16,216	19,908	15,125	16,908	16,836	14,907	16,260	16,836	9,854
Equity	31,430	30,409	32,383	36,991	37,453	38,059	37,048	35,799	32,383	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 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, the first quarter of 2014 and the second quarter of 2015. 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 second quarter of 2015 saw strong revenue from power assemblies arising from delivery of two large systems during the quarter.

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. 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 a 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. The gross profit percentage recovered in the second quarter of 2015 but it still below the level targeted by management.

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 two quarters 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 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 September 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 June 30th, 2015 the carrying amount of non-current assets, excluding deferred tax, was $41.8 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 June 30th, 2015 the provision against inventories was $10.3 million and the carrying amount of inventories was $14.1 million.

Impairment of trade receivables

Management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of each customer and reviews these estimates at the end of each reporting period. At June 30th, 2015 the provision was $186,000 and the net carrying amount of trade receivables was $6.5 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 June 30th, 2015 the carrying value of provisions was $1.3 million.

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 June 30th, 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 $181,000 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 $2.5 million of goods and $288,000 of services to CSR Times Electric, received a contribution towards research and development of $1.7 million, purchased materials and components from them for $1.1 million and paid $58,000 in interest on a loan from them. The Group also sold $489,000 of goods to a fellow subsidiary of CSR Times Electric and paid $7,000 in interest on a loan from another fellow subsidiary of CSR Times Electric. The Group incurred expenses in the UK of $3,000 on behalf of CSR Times Electric which expenses were reimbursed to the Group.

During the the year to date, the Group sold $4.0 million of goods and $750,000 of services to CSR Times Electric, received a contribution towards research and development of $3.2 million, purchased materials and components from them for $2.7 million and paid $144,000 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 $19,000 in interest on a loan from another fellow subsidiary of CSR Times Electric. The Group incurred expenses in the UK of $107,000 on behalf of CSR Times Electric which expenses were reimbursed to the Group.

At June 30th, 2015 the Group was owed $1.4 million for goods and services sold to CSR Times Electric and owed them $2.0 million 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 $6.2 million was unearned income and as such is shown under other payables and accruals. The Group was also owed $428,000 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 $1.3 million from a fellow subsidiary of CSR Times Electric. At June 30th, 2015 an amount of $61,000 was outstanding for interest under these loans.

The Group paid $349,000 in compensation during the quarter to its key management personnel and $694,000 for the year to date.

The Group purchased services from a law firm in Canada during the quarter for $14,000 and for $25,000 during the year to date. At June 30th, 2015, $11,000 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Subsequent Events

In August 2015, the Group took a new five year loan from CSR Times Electric (Hong Kong) for £6 million with interest at 4% per annum, repayable in 10 equal bi annual instalments starting in December 2015. At the same time, the Group repaid early a HK$8 million loan from the same company and a Chinese Yuan 31,000,000 loan from CSR Times Electric.

Outlook

In the second half of the year, revenue from bipolar discrete products is forecast to be at a similar level or slightly higher than it was in the first half of the year.

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 be lower in the second half of 2015 than it was in the first half.

Revenue from the sales of power assemblies is forecast to be slightly weaker in the second half of 2015 than it was in the first half.

Revenue from services should remain steady in the second half of 2015.

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 but increased more towards the level expected in the second quarter. Revenue for the second half of the year is expected to be lower than it was for the first half of the year.

At the end of June 2015, the order book stood at $14.5 million, slightly lower than the figure at the previous quarter end of $15.2 million. The reduction in the forward order book was larger than indicatedby these figures as the weakening of the Canadian Dollar would have been expected to cause the order book to increase by approximately $700,000.

The business reported a net loss of $419,000 in the second quarter of 2015, a considerable improvement compared to the $2.8 million reported in the first quarter. The weakness in the revenue forecast for the second half of the year indicates that the business will not return to profit in 2015.

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
August 27th, 2015

DYNEX POWER INC.
Interim Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited) in Canadian Dollars
Quarter Ended June 30th, 2015

	Note	**3 months Jun 30th 2015**	3 months Jun 30th 2014	**YTD Jun30th 2015**	YTD Jun 30th 2014
		$	$	**$**	$
Revenue	5, 6	**11,994,138**	10,178,055	**21,539,673**	21,627,559
Cost of sales		**(11,238,062)**	(8,743,505)	**(22,306,985)**	(19,176,293)
Gross profit		**756,076**	1,434,550	**(767,312)**	2,451,266
Other income	6	**6,269**	29,619	**43,520**	88,349
Sales and marketing expenses		**(330,565)**	(270,826)	**(585,850)**	(548,971)
Administration expenses		**(1,075,301)**	(981,749)	**(2,074,410)**	(1,915,760)
Research and development expenses	7	**1,511**	(389,026)	**(98,337)**	(766,460)
Finance costs		**(137,981)**	(179,647)	**(345,289)**	(337,931)
Other gains and (losses)		**260,159**	(29,553)	**(69,826)**	8,922
Loss before tax	7	**(519,832)**	(386,632)	**(3,897,504)**	(1,020,585)
Income tax recovery		**100,342**	79,066	**697,020**	197,290
Net loss		**(419,490)**	(307,566)	**(3,200,484)**	(823,295)
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)		**1,440,028**	(298,290)	**2,247,198**	1,228,229
Total comprehensive income/(loss)		**1,020,538**	(605,856)	**(953,286)**	404,934
Loss per share					
Basic	8	**(0.01)**	(0.00)	**(0.04)**	(0.01)
Diluted	8	**(0.01)**	(0.00)	**(0.04)**	(0.01)

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 June 30th, 2015

	Note	**Jun 30th 2015**	Dec 31st 2014
		$	$
NON-CURRENT ASSETS			
Intangible assets		**1,259,962**	1,150,380
Property, plant & equipment	9	**41,820,879**	39,883,946
Deferred tax asset		**723,429**	-
Total non-current assets		**43,804,270**	41,034,326
CURRENT ASSETS			
Inventories		**14,067,580**	14,428,876
Trade receivables		**6,471,544**	9,048,235
Amounts owing from parent company	14	**1,381,639**	2,764,112
Prepayments, deposits & other receivables		**1,658,576**	1,096,467
Tax recoverable		**3,188**	2,965
Derivative financial instrument		**46,904**	43,624
Cash		**2,141,616**	894,609
Total current assets		**25,771,047**	28,278,888
CURRENT LIABILITIES			
Trade payables		**3,780,702**	7,073,578
Amounts owing to parent company	14	**1,974,482**	667,817
Other payables and accruals	10	**9,832,591**	10,156,373
Borrowings	11	**14,237,736**	4,171,108
Provisions		**1,203,071**	1,824,060
Total current liabilities		**31,028,582**	23,892,936

DYNEX POWER INC.
Interim Condensed Consolidated Statement of Financial Position (Unaudited) in Canadian Dollars (continued)
As at June 30th, 2015

	Note	**Jun 30th 2015 $**	Dec 31st 2014 $
NON-CURRENT LIABILITIES			
Borrowings	11	**7,058,804**	12,983,135
Provisions		**58,254**	54,180
Total non-current liabilities		**7,117,058**	13,037,315
NET ASSETS		**31,429,677**	32,382,963
EQUITY			
Share capital	12	**37,096,192**	37,096,192
Accumulated deficit		**(10,617,124)**	(7,416,640)
Exchange fluctuation reserve		**4,950,609**	2,703,411
		31,429,677	32,382,963

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
Six Months Ended June 30th, 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	-	(823,295)	1,228,229	404,934
At June 30th, 2014	37,096,192	(2,692,118)	3,048,817	37,452,891
Total comprehensive loss for the period	-	(4,724,522)	(345,406)	(5,069,928)
At December 31st, 2014	37,096,192	(7,416,640)	2,703,411	32,382,963
Total comprehensive loss for the period	-	(3,200,484)	2,247,198	(953,286)
At June 30th, 2015	37,096,192	(10,617,124)	4,950,609	31,429,677

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
Six Months Ended June 30th, 2015

	Note	YTD Jun 30th 2015 $	YTD Jun 30th 2014 $
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		**(3,897,504)**	(1,020,585)
Finance costs recognised in loss before tax		**345,289**	337,931
Investment income recognised in loss before tax		**-**	(2,400)
Amortization of intangible assets		**78,885**	48,397
Depreciation of property, plant & equipment		**2,568,730**	2,131,879
Provision for slow moving and obsolete inventory		**80,828**	791,264
Non cash movement in provisions		**-**	35,705
Movements in working capital	13	**1,324,769**	5,396,406
Income taxes received/(paid)		**-**	125,852
Net cash generated by operating activities		**500,997**	7,844,449
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for intangible assets		**(97,083)**	(29,147)
Payments for property, plant & equipment		**(1,573,862)**	(5,078,673)
Interest received		**-**	2,400
Net cash used in investing activities		**(1,670,945)**	(5,105,420)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**17,570,499**	6,716,967
Repayments of borrowings		**(14,387,173)**	(6,842,472)
Interest paid		**(334,910)**	(331,003)
Payments for other finance costs		**-**	(40,824)
Net cash generated by/(used in) financing activities		**2,848,416**	(497,332)
NET INCREASE IN CASH		**1,678,468**	2,241,697
Cash at beginning of period		**894,609**	775,071
Effect of foreign currency translation on cash		**(431,461)**	(53,271)
CASH AT END OF PERIOD		**2,141,616**	2,963,497

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 CRRC Corporation Limited, 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.

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. Application of IFRS 15 is currently mandatory for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is 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.

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 Jun 30th 2015	3 months Jun 30th 2014	**YTD Jun 30th 2015**	YTD Jun 30th 2014
	$	$	**$**	$
UK	**2,931,510**	3,035,184	**4,915,017**	6,489,730
China	**2,820,102**	1,732,124	**4,804,784**	5,129,181
Netherlands	**1,694,009**	105,178	**1,694,009**	214,691
France	**775,201**	1,205,518	**1,744,747**	2,488,688
Other (None > 10%)	**3,773,316**	4,100,051	**8,381,116**	7,305,269
	11,994,138	10,178,055	**21,539,673**	21,627,559

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 June 30th, 2015 the Group had three customers each accounting for more than 10% of revenue, generating $3,305,705 (CSR Times Electric Group), $2,053,814 and $1,670,368 respectively (Jun 30th, 2014 – two customers each accounting for more than 10% of revenue, generating $2,475,573 (CSR Times Electric Group) and $2,024,743 respectively).

In the six months ended June 30th, 2015 the Group had two customers each accounting for more than 10% of revenue, generating $6,172,195(CSR Times Electric Group) and $3,303,271 respectively (Jun 30th, 2014 – two customers each accounting for more than 10% of revenue, generating $6,040,947 (CSR Times Electric Group) and $4,636,502 respectively).

6. REVENUE AND OTHER INCOME

Revenue on sale of goods and services

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

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

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

	3 months Jun 30th 2015	3 months Jun 30th 2014	**YTD Jun 30th 2015**	YTD Jun 30th 2014
Revenue:	**$**	$	**$**	$
Sale of goods	**11,636,934**	9,802,213	**20,627,274**	20,900,868
Rendering of services	**357,204**	375,842	**912,399**	726,691
	11,994,138	10,178,055	**21,539,673**	21,627,559
Other Income:				
Sale of scrap materials	**1,597**	23,614	**34,757**	72,431
Bank interest income	**-**	256	**-**	2,399
Government grants	**1,494**	1,450	**2,979**	2,898
Other income	**3,178**	4,299	**5,784**	10,621
	6,269	29,619	**43,520**	88,349

7. LOSS BEFORE TAX

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

	3 months Jun 30th 2015	3 months Jun 30th 2014	**YTD Jun 30th 2015**	YTD Jun 30th 2014
	$	$	**$**	$
Cost of inventories sold	**10,795,706**	8,367,662	**21,309,435**	18,449,601
Staff costs (including director's remuneration):				
Wages and salaries	**4,712,389**	4,265,363	**9,691,033**	8,425,544
Other benefits	**282,144**	309,018	**516,115**	486,161
Foreign Exchange differences (net)	**(196,714)**	(98,642)	**165,080**	118,291
Amortization of intangible assets	**40,820**	24,221	**78,885**	48,397
Depreciation of items of property, plant and equipment charged to:				
Cost of sales	**1,130,254**	916,841	**2,236,169**	1,802,347
Overheads	**114,653**	164,905	**332,561**	329,532
Research and development expenses (before government grants and contribution from CSR Times Electric)	**1,923,011**	1,712,217	**3,865,771**	3,327,717
Contribution from CSR Times Electric	**(1,742,873)**	(1,308,338)	**(3,209,625)**	(2,515,843)
Government grants:				
Research and development	**(180,566)**	(14,853)	**(557,809)**	(45,414)
Property, plant and equipment	**(1,494)**	(1,450)	**(2,980)**	(2,898)
Provision for slow moving and obsolete inventories	**23,639**	802,744	**80,828**	791,264

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Loss per share calculations are based on:

	3 months Jun 30th 2015	3 months Jun 30th 2014	**YTD Jun 30th 2015**	YTD Jun 30th 2014
	$	$	**$**	$
Earnings:				
Loss attributable to ordinary equity holders used in both basic and diluted earnings per share calculations	**(419,490)**	(307,566)	**(3,200,484)**	(823,295)
Shares:				
Weighted average number of ordinary shares outstanding during the period used in both basic and diluted earnings per share calculations	**80,509,047**	80,509,047	**80,509,047**	80,509,047

9. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

In the quarter ended June 30th, 2015 the Group acquired intangible assets and property, plant and equipment with an aggregate cost of $1,028,446 (Jun 30th, 2014 - $3,610,217). In the six months ended June 30th , 2015 the Group acquired property, plant and equipment with an aggregate cost of $1,645,150 (Jun 30th, 2014 - $4,991,174)

In the quarter ended June 30th, 2015 the Group disposed of no intangible assets or items of property, plant and equipment (Jun 30th, 2014 $nil).

At June 30th, 2015 the Group has commitments for the purchase of intangible assets and property, plant and equipment of $2.6 million (Dec 31st, 2014 - $3.6 million).

10. OTHER PAYABLES AND ACCRUALS

	Jun 30th 2015	Dec 31st 2014
	$	$
Accruals	**1,224,685**	1,092,600
Advance payments received	**7,329,685**	8,493,569
Deferred income	**712,206**	5,537
Other	**566,015**	564,667
	9,832,591	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:

	Note	**Jun 30th 2015**	Dec 31st 2014
		$	$
CSR Times Electric	14	**6,242,934**	6,916,861
Fellow group subsidiaries	14	**61,497**	39,150
Other parties	14	**15,200**	15,200
		6,319,631	6,971,211

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

	Jun 30th 2015	Dec 31st 2014
	$	$
Secured at amortised cost:		
Bank overdrafts	**628,539**	831,379
Bank loans	**12,562,545**	9,053,462
Finance leases	**176,459**	37,018
	13,367,543	9,921,859
Unsecured at amortised cost:		
Other loans	**7,928,997**	7,232,384
	21,296,540	17,154,243
Current portion	**14,237,736**	4,171,108
Non-current portion	**7,058,804**	12,983,135
	21,296,540	17,154,243

(i) The Group has an uncommitted money market facility for $9,709,000 and an approved overdraft limit of $1,941,800. The interest rate on the uncommitted money market facility is set when drawings are made. Current drawings carry interest at 2.7%. The interest rate on the overdraft is set at UK Base Rate plus 3.34%. Both facilities are supported by CSR Times Electric. At June 30th, 2015 $9,709,000 was drawn on the money market facility and $628,539 was borrowed under the overdraft facility (Dec 31st, 2014 the Group had a bank loan for $5,418,000 under an approved facility of $5,418,000 and an overdraft of $831,379 under a $5,418,000 overdraft facility). 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 June 30th, 2015 these assets have a carrying value of $58,165,025 (Dec 31st, 2014 - $59,370,498).

(ii) The Group has a bank loan for $450,892 (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 ending in September 2017. The loan is secured by a chattels mortgage on equipment with a carrying value of $639,374 (Dec 31st, 2014 - $677,331).

(iii) The Group has a bank loan for $2,402,653 (Dec 31st, 2014 - $3,128,474). 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 $8,564,166 (Dec 31st, 2014- $8,030,842).

(iv) The finance leases are secured by the equipment leased which has a carrying value of $176,457 (Dec 31st, 2014 - $40,539).

(v) The Group has an unsecured loan from CSR Times Electric for $6,164,508 (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 (Note 14).

11. BORROWINGS (continued)

(vi) The Group has an unsecured loan from a fellow subsidiary of CSR Times Electric for $1,284,705 (Dec 31st, 2014 - $1,194,859). The loan bears interest at 3.25% and is repayable on September 7th, 2015 (Note 14).
(vii) The Group has an unsecured interest free loan from an unrelated party for $192,015 (Dec 31st, 2014 - $250,021). The loan is repayable in quarterly instalments ending in September 2016.
(viii) The Group has an unsecured loan for $287,769 (Dec 31st, 2014 - $nil) which is repayable in equal monthly instalments ending in December 2015.

12. SHARE CAPITAL

At June 30th, 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:

	Jun 30th 2015	Jun 30th 2014
	$	$
Decrease (increase) in inventories	**1,325,043**	(2,406,533)
Decrease in trade receivables	**3,120,842**	2,636,184
Decrease (increase) in amounts owing from parent company	**1,538,522**	(289,984)
Increase in prepayments, deposits & other receivables	**(464,818)**	(510,620)
Decrease in trade payables	**(3,699,167)**	(1,233,517)
Decrease/(increase) in other payables & accruals	**(995,879)**	8,298,435
Increase in provisions	**(733,280)**	(7,650)
Increase/(decrease) in amounts owing to parent company	**1,233,506**	(1,089,909)
	1,324,769	5,396,406

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 Jun 30th 2015	3 months Jun 30th 2014	**YTD Jun 30th 2015**	YTD Jun 30th 2014
		$	$	**$**	$
Transactions with CSR Times Electric:					
Sale of goods	(i) (ii)	**2,528,055**	1,352,491	**4,047,944**	4,385,488
Rendering of services	(iii)	**288,492**	348,290	**749,794**	685,257
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	**1,742,873**	1,308,338	**3,209,625**	2,515,843
Reimbursed expenses	(v)	**3,555**	187,949	**106,853**	209,425
Purchases of materials and components	(i) (vi)	**1,069,838**	519,232	**2,690,489**	1,436,030
Interest expense	(vii)	**58,701**	69,770	**143,907**	69,770
Transactions with fellow group subsidiaries:					
Sale of goods	(vii)	**489,158**	774,793	**1,374,457**	970,202
Interest expense	(ix)	**7,075**	9,148	**19,058**	18,251
Transactions with other parties:					
Compensation to key management personnel		**349,000**	262,000	**694,000**	528,000
Non-exective directors fees	(x)	**5,000**	5,000	**10,000**	10,000
Legal fees and expenses	(xi)	**14,343**	24,343	**24,829**	39,634

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Jun 30th 2015	Dec 31st 2014
		$	$
Balances with CSR Times Electric:			
Amounts owing from parent company	(i) - (v)	**1,381,639**	2,764,112
Amounts owing to parent company	(i) (vi)	**1,974,482**	667,817
Other payables and accruals	(iii) (iv)	**6,242,934**	6,916,861
Borrowings	(vii)	**6,164,508**	5,787,504
Balances with fellow group subsidiaries:			
Trade receivables	(viii)	**427,538**	1,274,822
Borrowings	(ix)	**1,274,283**	1,194,859
Other payables and accruals	(ix)	**61,497**	39,150
Balances with other parties:			
Other payables and accruals	(x)	**10,000**	10,000
Trade payables	(xi)	**5,650**	5,650
Other payables and accruals	(xi)	**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.

(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.

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(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) 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.

(ix) 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.

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

(xi) 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. EVENTS AFTER THE REPORTING PERIOD

In August 2015, the Group took a new five year loan from CSR Times Electric (Hong Kong) for £6 million with interest at 4% per annum, repayable in 10 equal bi annual instalments starting in December 2015. At the same time, the Group repaid early a HK$8 million loan from the same company and a Chinese Yuan 31,000,000 loan from CSR Times Electric.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the board of directors of Dynex Power Inc. on August 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

Legal Counsel

LaBarge Weinstein
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

Dynex Locations

Dynex Power Inc.
Doddington Road
Lincoln, LN6 3LF
England

Dynex Semiconductor Limited
Doddington Road
Lincoln, LN6 3LF
England

Telephone +44 1522 500500
Fax +44 1522 500660

Registered Office

Dynex Power Inc.
C/o LaBarge Weinstein Professional Corporation
515 Legget Drive, Suite 800
Kanata
Ontario
K2K 3G4