DYNEX POWER INC.

REPORT FOR THE QUARTER ENDED MARCH 31ST 2016

NOTICE OF NO AUDITOR REVIEW OF THESE INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Dynex Power Inc for the three months ended March 31, 2016 have been prepared by management and approved by the Board of Directors. The Corporation's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Our Vision

Dynex, in partnership with CRRC Times Electric, will be a leading international, top three high power semiconductor business.

Our Core values

Continuous Improvement

Our company will strive to ensure that our employee have the skills that will enable them to seek to challenge and improve our working practices in order to exceed our customers' expectations, without compromising on safety or quality.

Engineering Excellence

Our products are world leading and highly engineered and in order to maintain our high standards we ensure that our employees are qualified and operating at the forefront of technology in our sector.

Performance Driven

In maintaining and growing our business we recognise that it is only by doing things well and meeting targets and expectations, that we will increase the financial performance of the business.

Accountability and Responsibility

We accept our responsibility to our customers and those that we do business with, to find solutions and achieve results, no matter how challenging the tasks. Our employees will always take personal accountability for our commitments and performance.

Integrity and Honesty

In our dealings with customers, suppliers and all outside agencies, we pride ourselves in our honest approach to business. We keep our promises and deal with people and issues promptly and our consultative culture will find the best solutions for all parties.

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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. In April 2016 this company changed its name to Zhuzhou CRRC Times Electric Co., Ltd.
- 344 employees (March 2016)
- ISO9001:2008, ISO14001:2004 and ISO 50001:2011 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

In my letter to shareholders in our Annual Report for 2015 I reported that 2015 had been a year of improvement for Dynex. In responding to the tough market and internal issues that had affected our performance and profitability over the past two years, Dynex has been undergoing a significant change focussed on our people. Actions had been taken last year to reduce our cost base through a redundancy programme, followed by an adjustment in our organisation and management processes to give greater focus on quality, yield improvement and continuous improvement.

The results here reported for the first quarter of 2016, and the comparison of these results to the corresponding period last year, although not good because of tough market conditions, show a trend that bears witness to the effect of this improvement.

Revenue for the first quarter of 2016 was 8% higher than in the corresponding quarter of last year. One third of the increase came from stronger sales; the rest was the effect of the weaker Canadian dollar. The gross margin of 11.6% of revenue in the first quarter of 2016 was substantially improved compared to a negative gross margin of 16.0% of revenue in the first quarter of 2015. A net loss of $461,000 in the first quarter of 2016 compared to a net loss of $2.8 million in the corresponding quarter of last year.

The improvements in margins were due to several factors resulting from our adjustment in management organisation and processes: increased sales, improved manufacturing efficiency, and a resolution of certain technical issues with new products. This adjustment in our management organisation and processes at Dynex is based on five main factors that are at the core of the Dynex People Improvement Plan: structure, capabilities, performance management, employee engagement, and training and development.

Our operational structure was improved by a planned redundancy mainly in the manufacturing areas, by giving more independence to manufacturing production and the process and product engineering groups to focus on continuous improvement, and by a restructuring of the power assembly's team to focus on certain new products, such as test equipment.

Our capabilities have been enhanced through a major external recruitment campaign to bring new management talent into the business in various key roles: human resources, quality management, procurement, information systems, sales and marketing, and production. We have also added experienced technical and management skills to our R&D and engineering teams.

Performance management has been strengthened through more thorough performance management procedures and the related management training.

Engagement has been improved though more regular information exchange reviews, employee suggestion schemes, more thorough induction programmes and reviewing by employee engagement survey.

Finally, we introduced a new training and development policy to emphasise Dynex commitment to continuous development of all employees. One major initiative at the moment is a continuous improvement training programme targeting manufacturing. In addition, and in support of developing our own engineering talent to offset the skill shortage, we have a number of activities including apprenticeship schemes, working with local schools and colleges and with UK national programmes such as Arkwright Scholarship, Engineering Development trust, and the Engineering Education Scheme.

The impact of the Dynex People Improvement Plan has begun to show benefit, and we expect the real returns are yet to come, as it provides the firm foundation needed for our future development as our markets recover.

We remain confident in the long term growth of our target markets, but our customers are being slow to place orders at the current time and this has a direct impact on our results. We are seeing some very early signs of a pick-up in our order in-take and we are hopeful this will turn into stronger revenue in the second half of 2016 and a return to profitability.

Finally I would like to take this opportunity to thank our current Chairman, Li Donglin, for his support and encouragement over the last six years. Li Donglin has recently been promoted to become General Manager of CRRC Zhuzhou Institute, the majority shareholder of CRRC Times Electric, and will not be standing for re-election to the Board of Dynex at this year's annual general meeting.

Many thanks for your interest in reading this report, and for your continued support.

PDTaylor

Paul Taylor
President and Chief Executive Officer
May 26th, 2016

Management's Discussion & Analysis

The following discussion and analysis prepared as of May 26th, 2016 should be read in conjunction with the Condensed Consolidated Financial Statements of the Company for the quarter ended March 31st, 2016.

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 acquired approximately 75% of the share capital of the Company and thus became the Company's immediate parent company. CSR Times Electric changed its name in April 2016 to CRRC Times Electric Co., Ltd ("CRRC Times Electric"). CRRC Times Electric is itself majority owned by CRRC Corporation which is therefore the Company's ultimate parent company. Both CRRC Times Electric and the CRRC Corporation 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 CRRC 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.

The Group also provides advice and assistance, primarily to CRRC Times Electric, on matters relating to semiconductor design and manufacture.

All the activities of the Group described above take 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, integrated circuits and the provision of advice 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 and the provision of advice 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:

	£1 equals
Average rate January to March 2016	C$1.9614
Average rate January to March 2015	C$1.8688
Rate at March 31st, 2016	C$1.8631
Rate at December 31st, 2015	C$2.0599

As illustrated, the Canadian Dollar rate against Sterling for the first quarter of 2016 was 5% weaker than in the first quarter of 2015. Consequently, exchange rate movements had a moderateimpact on reported revenue and expenditure in the quarter.

The Canadian Dollar rate against Sterling at March 31st, 2016 was approximately 10% stronger than the rate at December 31st, 2015. Consequently, the change in rates had a significant impact on assets and liabilities at the period end.

Review of Operating Results

Objective

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

Overview

Revenue in the first quarter of 2016 was below the level reported in the fourth quarter of 2015. The lower level of revenue resulted in a net loss of $461,000 for the quarter.

The Company's booking to billing ratio for the quarter was 0.9. 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 2016 was $10.3 million, $727,000 or 8% higher than in the corresponding quarter of last year. Approximately two thirds of the increase was accounted for by the weakness of the Canadian Dollar in 2016 compared to 2015. The rest of the increase came from stronger sales of power assemblies and modules partially offset by weaker bipolar revenue.

Gross Margin

The gross margin of 11.6% of revenue in the first quarter of 2016 compared to a negative gross margin of 16.0% of revenue in the first quarter of 2015. The negative gross margin in 2015 reflected the low revenue figure for that quarter and the cost of a redundancy exercise. The gross margin in 2016, though substantially improved, is still below the level 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 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 13.5% of revenue in the first quarter of 2016 compared to 13.1% in the corresponding quarter of last year.

Research and Development Expenses

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

The net expenditure on research and development for the first quarter of 2016 was $300,000. This was $200,000 or three times the figure 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 24.8% of revenue in the first quarter of 2016 compared to 20.4% of revenue in the corresponding quarter of last year.

Finance Costs

Finance costs for the quarter were $179,000, compared to $207,000 in the corresponding quarter of last year. The reduction reflects a reduction in average interest rates.

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 $526,000 compared with a loss before tax of $3.4 million in the corresponding quarter of last year.

Income Tax Expense
The Group recorded a tax release in the quarter equivalent to 12.3% of the loss before tax compared with a release of 17.7% in the corresponding quarter of last year. The reduction arises from more of the losses being incurred by the parent company. The Group derives no benefit from tax losses in Canada.

Net Loss
The Group reported a net loss of $461,000 in the first quarter of 2016 compared to a net loss of $2.8 million 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 fell from $45.1 million at the end of last year to $39.9 million at the end of the first quarter largely as a result of the strengthening of the Canadian dollar over the 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 2016, working capital stood at $15.8 million or 1.5 times first quarter revenue compared to $16.3 million or 1.3 times quarter four revenue at the end of December 2015.

Net Debt
At the end of March 2016, the Group had net debt (borrowings less cash) of $21.3 million. At the end of December 2015, it had net debt of $22.9 million. Approximately three quarters of the reduction was as a result of the strengthening of the Canadian Dollar in 2016.

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

Equity
Equity decreased by $4.1 million since the end of the preceding year. The decrease resulted from the net loss of $461,000 and an exchange loss on translation of the UK subsidiary of $3.6 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 March 2016, the Group had a gearing ratio of 61.8%. At the end of the preceding year, the Group had a gearing ratio of 59.5%. Management regards this level of borrowing as higher than would be desirable and in the medium term management intends to reduce it.

Borrowing Facilities
The Group 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 CRRC Times Electric. The Group had $1.5 million of cash at the quarter end.

Cash Flow
There was an inflow of $19,000 from operating activities in the quarter. The main constituent of the cash inflow was the depreciation and amortization charge for the quarter of $1.4 million offset by the loss before tax and finance costs of $348,000 and an increase in working capital of $1.0 million.

Commitments
The Group has capital commitments at the quarter end of $1.9 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

	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2015 FY	2014 FY	2013 FY
Revenue	10,273	12,718	12,254	11,994	9,546	10,128	10,410	10,178	46,512	42,166	39,234
Gross Profit	1,188	4,369	1,081	756	(1,523)	(4,066)	1,174	1,435	4,683	(441)	1,945
Gross profit %	11.6%	34.4%	8.8%	6.3%	(16.0%)	(40.1%)	11.3%	14.1%	10.1%	(1.0%)	5.0%
Gross R&D %	24.8%	26.0%	22.1%	16.0%	20.4%	14.5%	15.5%	16.8%	21.3%	15.2%	13.2%
Profit before Tax	(526)	3,564	603	(520)	(3,378)	(5,237)	(261)	(387)	270	(6,518)	(3,394)
Net Profit	(461)	2,884	483	(419)	(2,781)	(4,502)	(222)	(308)	166	(5,548)	(2,410)
Earnings per Share											
Basic	(0.01)	0.04	0.01	(0.01)	(0.03)	(0.06)	(0.00)	(0.00)	0.00	(0.07)	(0.03)
Diluted	(0.01)	0.04	0.01	(0.01)	(0.03)	(0.06)	(0.00)	(0.00)	0.00	(0.07)	(0.03)
Non-current assets	39,911	45,100	45,410	43,804	41,942	41,078	41,212	40,345	45,100	41,078	36,160
Working capital	15,830	16,325	12,988	6,734	8,156	7,565	15,687	12,233	16,325	7,565	17,724
Net debt	21,285	22,918	25,065	19,108	19,689	16,260	19,908	15,125	22,918	16,260	16,836
Equity	34,456	38,507	33,333	31,430	30,409	32,383	36,991	37,453	38,507	32,383	37,048
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 2013, 2014 and 2015 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. The amounts shown for equity are as disclosed in the financial statements.

Annual revenue grew by approximately 7% between 2013 and 2014 and by approximately 10% between 2014 and 2015. In both cases the increase was a result of a wekening in the Canadain Dollar. In Sterling terms revenue declined between 2013 and 2014 and remained steady in 2015. Quarterly revenue declined in the first quarter of 2015 but recovered in the following quarter. The figures in the last two quarters of 2015 reflected a weakening of the Canadian Dollar.

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 loss reported in 2014 resulted from the costs associated with a major contract cancellation and return of product by a customer . In 2015, the gross profit percentage improved significantly but is still below the level targeted by management. The gross profit percentage was raesonable in the second and third quarter 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 reflected a tough marketplace then being experienced. Gross profit recovered in the second and third quarter of 2015. The figure in the fourth quarter of 2015 was significantly above management expectation and the gross profit percentage has fallen back to a more sustainable level in the first quarter of 2016.

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. The fall in the first quarter of 2016 is a result of the strengthening of the Canadain Dollar during the quarter.

Working capital had stood at over five month's revenue in 2013. This high figure reflected the fact that an increasing amount of the Group's revenue is now coming from customers in areas where credit terms are generally longer and payment of receivables is not as prompt. The 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. Working capital returned to more normal levels in the second half of 2015 and now stands at four and a half weeks revenue.

The Group had $16.8 million of net debt at the end of 2013.This figure has risen since then in order to fund increased investment in non-current assets, the rise in working capital 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 CRRC 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 CRRC 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 CRRC Times Electric equipment and that may materially reduce the future demand for IGBT modules. The Group is working closely with CRRC Times Electric, has set up several joint teams and is increasing its R&D expenditure to ensure that its products are able to meet CRRC 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 System under ISO 50001 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.

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, 2016 the carrying amount of non-current assets was $39.9 million.

Impairment review

Management carries out an impairment review at the end of each reporting period in order to determine whether any impairment of assets has taken place. At March 31st 2016, management determined that no imapirmant had taken place.

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, 2016 the provision against inventories was $9.7 million and the carrying amount of inventories was $14.2 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, 2016 the provision was $196,000 and the net carrying amount of trade receivables was $6.6 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, 2016 the carrying value of provisions was $75,000.

Disclosure Controls

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

Internal Controls

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. During the quarter ended March 31st, 2016, 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 $200,000 in grants during the quarter from the European Union and the UK Government to assist in its research and development activities and grants of $155 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 $2.1 million of goods and $425,000 of services to CSR Times Electric, received a contribution towards research and development of $2.0 million and purchased materials and components from them for $642,000. The Group also bought $215,000 of goods from a fellow subsidiary of CSR Times Electric. The Group sold $436,000 of goods to another fellow subsidiary of CSR Times Electric and paid $50,000 in interest on a loan from another fellow subsidiary of CSR Times Electric. The Group incurred expenses in the UK of $57,000 on behalf of CSR Times Electric which expenses were reimbursed to the Group.

At March 31st, 2016 the Group was owed $3.5 million for goods and services sold to CSR Times Electric. Of this amount, $1.7 million is shown under Prepayments, Deposits and Other Receivables as they had not been invoiced for the amount due at the quarter end. The Group owed CSR Times Electric $920,000 for materials and components purchased from them. At the end of the quarter $3.4 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 $586,000 million by a fellow subsidiary which is reported under trade receivables.

The Group has a loan of $10.1 million from a fellow subsidiary of CSR Times Electric.

The Group paid $378,000 in compensation during the quarter to its key management personnel and $5,000 in fees to directors. The directors' fees were outstanding at the end of the quarter.

The Group purchased services from a law firm in Canada during the quarter for $20,000. At March 31st, 2016, $11,000 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Outlook

Revenues from bipolar discrete products, IGBT modules and die, power assemblies and services are expected to be similar in the second quarter of 2016 to those reported in the first quarter.

Revenue for the third and fourth quarters of 2016 is difficult to predict at the moment, but management believes that revenue will increase in the second half of the year.

At the end of March 2016, the order book stood at $13.3 million. At the end of 2015 the order book had stood at $15.2 million. Approximately three quarters of the reduction was as a result of the strengthening of the Canadian Dollar.

The business reported a net loss of $461,000 in the first quarter of 2016. Management expects to make a similar loss in the second quarter but is still targeting a small profit for the year.

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
May 26th, 2016

DYNEX POWER INC.
Condensed Consolidated Statement of Profit (Loss) and Other Comprehensive Income (unaudited) in Canadian Dollars
Quarter Ended March 31st, 2016

	Note	3 months Mar 31st 2016 $	3 months Mar 31st 2015 $
Revenue	5, 6	**10,272,554**	9,545,535
Cost of sales		**(9,084,760)**	(11,068,923)
Gross (loss)/profit		**1,187,794**	(1,523,388)
Other income	6	**22,395**	37,251
Sales and marketing expenses		**(327,242)**	(255,285)
Administration expenses		**(1,060,550)**	(999,109)
Research and development expenses	7	**(299,961)**	(99,848)
Finance costs		**(178,616)**	(207,308)
Other (losses)/gains		**129,811**	(329,985)
Loss before tax	7	**(526,369)**	(3,377,672)
Income tax recovery		**65,199**	596,678
Net loss		**(461,170)**	(2,780,994)
Other comprehensive income			
Exchange differences on translation of foreign operations (net of tax of $nil)		**(3,589,061)**	807,170
Total comprehensive (loss)/income for the period		**(4,050,231)**	(1,973,824)
Loss per share			
Basic	8	**(0.01)**	(0.03)
Diluted	8	**(0.01)**	(0.03)

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, 2016

	Note	**Mar 31st 2016**	Dec 31st 2015
		$	$
NON-CURRENT ASSETS			
Intangible assets	9	**1,389,714**	1,594,142
Property, plant & equipment	9	**38,406,862**	43,447,376
Deferred tax asset		**114,243**	57,838
Total non-current assets		**39,910,819**	45,099,356
CURRENT ASSETS			
Inventories		**14,238,783**	15,215,237
Trade receivables		**6,568,739**	6,334,417
Amounts owing from parent company	14	**1,745,082**	5,445,377
Prepayments, deposits & other receivables		**1,832,554**	1,236,102
Tax recoverable		**3,059**	3,382
Cash		**1,519,703**	1,410,547
Total current assets		**25,907,920**	29,645,062
CURRENT LIABILITIES			
Trade payables		**2,351,695**	2,371,233
Amounts owing to parent company	14	**919,664**	760,062
Other payables and accruals	10	**5,211,329**	8,695,638
Borrowings	11	**14,810,404**	15,423,684
Provisions		**18,631**	20,599
Total current liabilities		**23,311,723**	27,271,216

DYNEX POWER INC.
Condensed Consolidated Statement of Financial Position (Unaudited) in Canadian Dollars (continued)
As at March 31st, 2016

	Note	**Mar 31st 2016** $	Dec 31st 2015 $
NON-CURRENT LIABILITIES			
Borrowings	11	**7,994,749**	8,904,800
Provisions		**55,893**	61,797
Total non-current liabilities		**8,050,642**	8,966,597
NET ASSETS		**34,456,374**	38,506,605
EQUITY			
Share capital	12	**37,096,192**	37,096,192
Accumulated deficit		**(6,070,271)**	(5,609,101)
Exchange fluctuation reserve		**3,430,453**	7,019,514
TOTAL EQUITY		**34,456,374**	38,506,605

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, 2016

	Share Capital	Deficit	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
At January 1st, 2015	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
Total comprehensive income for the period	-	2,947,158	3,508,933	6,456,091
Capital contribution		1,641,375		1,641,375
At December 31st, 2015	37,096,192	(5,609,101)	7,019,514	38,506,605
Total comprehensive income for the period	-	**(461,170)**	**(3,589,061)**	**(4,050,231)**
At March 31st, 2016	**37,096,192**	**(6,070,271)**	**3,430,453**	**34,456,374**

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, 2016

	Note	**3 months Mar 31st 2016**	3 months Mar 31st 2015
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		**(526,369)**	(3,377,672)
Finance costs recognised in loss before tax		**178,616**	207,308
Amortization of intangible assets		**57,063**	39,286
Depreciation of property, plant & equipment		**1,343,479**	1,284,525
Provision for slow moving and obsolete inventory		**-**	57,189
Movements in working capital	13	**(1,034,054)**	(398,194)
Income taxes received/(paid)		**-**	2
Net cash generated/(used) used in operating activities		**18,735**	(2,187,556)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for intangible assets		**(2,188)**	(18,320)
Payments for property, plant & equipment		**(406,934)**	(627,677)
Net cash used in investing activities		**(409,122)**	(645,997)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**949,988**	7,936,782
Repayments of borrowings		**(113,142)**	(5,354,906)
Interest paid		**(280,025)**	(236,518)
Net cash generated by financing activities		**556,821**	2,345,358
NET INCREASE/(DECREASE) IN CASH		**166,434**	(488,195)
Cash at beginning of period		**1,410,547**	894,609
Effect of foreign currency translation on cash		**(57,278)**	(142,777)
CASH AT END OF PERIOD		**1,519,703**	263,637

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.

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 changed its name from Zhuzhou CSR Times Electric Co. Ltd to CRRC Times Electric Co., Ltd ("CRRC Times Electric") in April 2016. The ultimate parent company of the Group is CRRC Corporation. CRRC Times Electric and CRRC Corporation 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, 2015.

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, 2015 and should be read in conjunction with those statements which are included in the Group's Annual Report for 2015.

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.

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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, 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.

IFRS 16: Leases

IFRS 16 which supersedes IAS 17, provides a model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. This new standard is effective on January 1, 2019. 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, 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 2016	3 months Mar 31st 2015
	$	$
United Kingdom	**2,937,314**	1,983,507
China	**2,433,911**	1,984,682
France	**1,387,577**	969,547
India	**210,972**	1,057,423
Other (None > 10%)	**3,302,780**	3,550,376
	10,272,554	9,545,535

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, 2016 the Group had two customers each accounting for more than 10% of revenue, generating $2,870,232 (CSR Times Electric Group) and $2,019,042 respectively (Mar 31st, 2015 – two customers each accounting for more than 10% of revenue, generating $2,866,490 (CSR Times Electric Group) and $1,249,457 respectively).

6. REVENUE AND OTHER INCOME

Revenue on sale of goods and services

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

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

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

	3 months Mar 31st 2016	3 months Mar 31st 2015
Revenue:	**$**	$
Sale of goods	**9,847,523**	8,990,341
Rendering of services	**425,031**	555,194
	10,272,554	9,545,535
Other Income:		
Sale of scrap materials	**19,096**	33,160
Government grants	**155**	1,486
Other income	**3,144**	2,605
	22,395	37,251

7. LOSS BEFORE TAX

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

	3 months Mar 31st 2016	3 months Mar 31st 2015
	$	$
Cost of inventories sold	**8,642,344**	10,513,729
Staff costs (including director's remuneration):		
Wages and salaries	**5,043,532**	4,978,644
Other benefits	**237,437**	233,972
Minimum lease payments for plant and machinery under operating leases	**611,532**	495,034
Foreign Exchange differences (net)	**(109,661)**	361,794
Amortization of intangible assets	**57,063**	38,908
Depreciation of items of property, plant and equipment charged to:		
Cost of sales	**1,153,800**	1,105,903
Overheads	**189,679**	217,908
Research and development expenses	**2,544,948**	1,942,760
Contribution from CSR Times Electric	**(2,044,677)**	(1,466,752)
Government grants:		
Research and development	**(200,310)**	(377,243)
Property plant and equipment	**(155)**	(1,486)
Provision for slow moving and obsolete inventories	**-**	57,189

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Loss per share calculations are based on:

	3 months Mar 31st 2016	3 months Mar 31st 2015
	$	$
Earnings:		
Loss attributable to ordinary equity holders used in both basic and diluted earnings per share calculations	**(461,170)**	(2,780,994)
Shares:	**Nos**	Nos
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

9. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

In the quarter ended March 31st, 2016 the Group acquired intangible assets and property, plant and equipment with an aggregate cost of $409,000 (Mar 31st, 2015 - $610,000).

In the quarters ended March 31st, 2016 and March 31st, 2015 the Group disposed of no intangible assets or items of property, plant and equipment.

At March 31st, 2016 the Group has commitments for the purchase of intangible assets and property, plant and equipment of $1.9 million (Dec 31st, 2015 - $1.6 million).

10. OTHER PAYABLES AND ACCRUALS

	Mar 31st 2016	Dec 31st 2015
	$	$
Accruals	**1,626,176**	2,082,224
Unearned income	**2,994,830**	5,981,450
Other	**590,323**	631,964
	5,211,329	8,695,638

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	**Mar 31st 2016**	Dec 31st 2015
		$	$
CSR Times Electric	14	**3,431,943**	4,398,352

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.

11. BORROWINGS

	Note	Mar 31st 2016 $	Dec 31st 2015 $
Secured at amortised cost:			
Bank overdrafts	(i)	**1,515,873**	671,586
Bank loans	(ii) (iii) (iv)	**10,530,713**	12,204,827
Finance leases	(v)	**164,411**	206,396
		12,210,997	13,082,809
Unsecured at amortised cost:			
Other loans	(vi) (vii) (viii) 14	**10,594,156**	11,245,675
		22,805,153	24,328,484
Current portion		**14,810,404**	15,423,684
Non-current portion		**7,994,749**	8,904,800
		22,805,153	24,328,484

(i) The Group has a bank overdraft of $1,515,873 (Dec 31st, 2015 - $671,586) under an approved overdraft facility of $1,863,100 (Dec 31st, 2015 - $2,060,000) which is repayable on demand. The overdraft bears interest at UK base rate plus 2.32% on balances up to the approved overdraft limit and at the bank's standard interest rate on balances over the approved limit. The overdraft facility is secured under the same charge as in (ii) below.

(ii) The Group has an uncommitted money market facility from a bank for $9,315,500 which was fully drawn at the end of March 2016 (Dec 31st, 2015 - $10,299,500). The repayment date and the interest on the money market facility is set at the time drawings are made and varies depending on the length of the drawing. The rate on drawings at the end of March 2016 was 2.7% and the drawings were all repayable during April 2016. The facility is secured by a first charge on property, plant and equipment (excluding the freehold land & buildings and equipment under leases and chattel mortgages) and current assets. At March 31st, 2016 these assets have a carrying value of $56,359,929 (Dec 31st, 2015 - $63,594,044).

(iii) The Group has a bank loan for $293,103 (Dec 31st, 2015 - $376,057) which was received on September 19th, 2013. 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 $567,065 (Dec 31st, 2015 - $644,063).

(iv) The Group has a bank loan for $922,110 (Dec 31st, 2015 - $1,529,270). The loan bears interest at LIBOR plus 2.30% and is repayable in equal 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 $8,176,461 (Dec 31st, 2015- $9,077,987).

(v) The finance leases are secured by the equipment leased which has a carrying value of $87,368 (Dec 31st, 2015 - $147,126).

(vi) The Group has an unsecured loan from a fellow subsidiary of CSR Times Electric for $10,060,740 (Dec 31st, 2015 - $11,123,460) . The loan bears interest at 4% per annum and is repayable in nine equal biannual repayments between June 2016 and June 2020.

(vii) The Group has an unsecured interest free loan from an unrelated party for $73,693 (Dec 31st, 2015 - $122,216). The loan is repayable in quarterly instalments between July 2014 and October 2016.

(viii) The Group has a loan from an unrelated party for $459,723 (Dec 31st, 2015 - $nil). The loan bears interest at 3.5% per annum and is repayable in nine monthly instalments from April 2016 to December 2016.

12. SHARE CAPITAL

At March 31st, 2016 there were 80,509,047 common shares of the company outstanding (Dec 31st, 2015 – 80,509,047).

13. MOVEMENTS IN WORKING CAPITAL

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

	3 months Mar 31st 2016	3 months Mar 31st 2015
	$	$
(Increase) in inventories	**(502,366)**	(433,360)
(Increase) decrease in trade receivables	**(883,797)**	3,083,522
(Increase) in prepayments, deposits & other receivables	**(747,010)**	(400,749)
Decrease in amounts owing from parent company	**3,347,835**	2,312,904
Increase (decrease) in trade payables	**1,177,530**	(1,958,872)
(Decrease) in other payables & accruals	**(2,702,529)**	(2,049,193)
(Decrease) in provisions	**-**	(269,991)
(Decrease) in amounts owing to parent company	**(723,717)**	(682,455)
	(1,034,054)	(398,194)

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 CRRC Corporation and all of its affiliates as related parties.

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

		3 months Mar 31st 2016	3 months Mar 31st 2015
		$	$
Transactions with CSR Times Electric:			
Sale of goods	(i) (ii)	**2,062,885**	1,519,889
Rendering of services	(iii)	**425,031**	461,302
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	**2,044,677**	1,466,752
Reimbursed expenses	(v)	**57,425**	103,298
Purchases of materials and components	(i) (vi)	**641,972**	1,620,651
Interest expense	(vii)	**-**	85,206
Transactions with fellow group subsidiaries:			
Sale of goods	(vii)	**436,322**	885,299
Purchase of materials and components	(i)	**215,171**	-
Interest expense	(viii)	**50,301**	11,983
Transactions with other parties:			
Compensation to key management personnel		**378,370**	354,000
Non-exective directors fees	(ix)	**5,000**	5,000
Legal fees and expenses	(x)	**20,156**	10,486

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Mar 31st 2016	Dec 31st 2015
		$	$
Balances with CSR Times Electric:			
Amounts owing from parent company	(i) - (v)	**1,745,082**	5,445,377
Prepayments, deposits and other receivables	(iii)	**1,738,598**	-
Amounts owing to parent company	(i) (vi)	**919,664**	760,062
Other payables and accruals	(iii) (iv)	**3,431,943**	4,398,352
Balances with fellow group subsidiaries:			
Trade receivables	(vii)	**586,471**	573,798
Borrowings	(viii)	**10,060,740**	11,123,460
Balances with other parties:			
Other payables and accruals	(ix)	**5,000**	10,000
Trade payables	(x)	**5,650**	7,776
Other payables and accruals	(x)	**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.

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 2011, the Group appointed Times Electric USA LLC, a fellow subsidiary of CSR Times Electric, to act as the Group's main distributor for high power semiconductors in North, Central and South America.

(viii) On August 13th, 2015 the Group was provided with a loan for approximately $12.1 million by CSR Times Electric (Hong Kong) Co., Ltd, a fellow subsidiary of CSR Times Electric, which bears interest at 4% per annum and is repayable in 10 biannual instalments between December 2015 and June 2020.

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

(x) 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 26th, 2016.

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 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

Mark Kempton
Operations Director

Sky Xu
Sales & Marketing Director

Bill McGhie
Power Assemblies Business Manager

Andy Dai
Technology Manager

Vincent Li
Technology 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
515 Legget Drive, Suite 800
Kanata
Ontario
K2K 3G4