

---

**DYNEX POWER INC.**

**REPORT FOR THE QUARTER ENDED  
MARCH 31ST 2010**





## 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

Company Profile .....	4
Letter to Shareholders .....	5
Management's Discussion & Analysis .....	6
Consolidated Statements of Earnings and Deficit (Unaudited).....	13
Consolidated Statements of Comprehensive (Loss) Income (Unaudited).....	14
Consolidated Statements of Accumulated Other Comprehensive Loss and Deficit (Unaudited) .....	14
Consolidated Balance Sheets (Unaudited) .....	15
Consolidated Statements of Cash Flows (Unaudited) .....	16
Notes to the Consolidated Financial Statements .....	17
Corporate Information .....	23

This report may contain forward looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the Management's Discussion & Analysis of this report as discussed in public disclosure documents filed with the Canadian Regulatory Authorities. Dynex disclaims any intention or obligation to update or revise any forward looking statement whether as a result of new information, future events or otherwise.

## Company Profile

Dynex is one of the world's leading suppliers of specialist, high power semiconductor products. Dynex Semiconductor Limited is its only operating business and is based in Lincoln, England in a facility housing the fully integrated silicon fabrication, assembly and test, sales, design and development operations. The Company designs and manufactures high power bipolar discrete semiconductors, high power insulated gate bipolar transistor (IGBT) modules, high power electronic assemblies, and radiation hard silicon-on-sapphire integrated circuits (SOS IC's). Dynex power products are used worldwide in power electronic applications including electric power transmission and distribution, renewable and distributed energy, marine and rail traction motor drives, aerospace, electric vehicles, industrial automation and controls and power supplies. SOS IC products are used in demanding applications in the aerospace industry.

## Company Facts

- DPI Technologies Inc. was founded in February 1998
- DPI Technologies Inc. changed its name to Dynex Power Inc. in May 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 had previously 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
- 284 employees (March 2010)
- ISO9001:2008 and ISO14001:2004 approved
- Further information: [www.dynexsemi.com](http://www.dynexsemi.com)

## Products

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

## Customers

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

- Industrial
  - Electric power transmission and distribution
  - Renewable and distributed power
  - Heavy industries such as steel and mining
  - Factory automation
- Marine propulsion and on-board systems
- Railway propulsion and on-board systems
- Aircraft power electronic systems
- Space satellite applications

## Letter to Shareholders

It was with great pleasure that I received confirmation from the UK government that Dynex Semiconductor Ltd had been awarded the Queen's Award for Enterprise 2010. This is the most prestigious award available to UK businesses and recognises the successful turnaround of the business since 2005.

In making the award, the awarding body commented on the strong growth of our UK overseas business, more than 90% over three years; our commercial success; the broad range of markets and countries we serve; and the increase in employment generated by our growth over a three year period.



We are very pleased by this achievement and the recognition it brings our business. We have received many congratulations from our customers, suppliers and other partners who played a key role in our success. To remind us of this honour we will display the Queens Award emblem for the next five years.

We hope that the next three years will deliver a further strong performance, although we expect revenue growth to be affected adversely in the short term by both our focus on growth and in particular the expansion projects, such as the new IGBT wafer fabrication line, and by difficult market conditions as our customers adjust to the impact of the recent global recession. We forecast some slow down in the second half of 2010 followed by recovery in 2011 and 2012.

Our expectation for growth is based on several facts. Firstly, the opportunity to participate in the China rail expansion brought to us by our major shareholder, CSR Times Electric. Secondly we started operating our new 6-inch IGBT line, initially for qualification and quality checks, with production planned over the coming months. Thirdly, we have completed installation of our 6-inch Bipolar line and are running first lots to establish the production processes.

Based on a report issued by the UK government trade and investment arm, UKTI, the Chinese government is investing RMB500 billion in rolling stock in the period from 2009-2011. CSR, our parent company, is one of two major China suppliers of rolling stock that are expected to service the majority

of this market. IGBT power modules are a key component used in the electronic converters that power the electric locomotives and metro power cars. Dynex is becoming well positioned to take a share of that opportunity.

During the first four months of 2010 Dynex completed the installation of the first of two new 6-inch production lines for the IGBT wafers used in IGBT power modules. Silicon is now running through this line, and we expect to complete the necessary quality checks over the coming months with production ramping up into the last quarter of this year. At the same time we expect to complete the construction of the second line.

Whilst installing the IGBT wafer fabrication line, Dynex has been assisting CSR Times Electric to commission and qualify the CSR Times Electric IGBT module assembly and test facility in China, and qualification of that facility is running smoothly. It is expected that this Chinese module facility will purchase a large portion of the output from the new IGBT wafer line for use in railway rolling stock equipment.

The Bipolar 6 inch line was completed at Lincoln over the last quarter and first thyristor lots are being processed for internal qualification trials. This is running concurrently with the installation of a major new high voltage power device test line at Lincoln, and based on latest expectations we forecast that this will be operational during the second half of 2010 in preparation for production ramp up into 2011. This line will produce high power thyristors and similar product for power conversion for our customers in the industrial and energy sectors.

There remains much work to do over the remainder of 2010 to complete the installation of the second IGBT line, and the quality checks and qualification of both the first IGBT line and the Bipolar line. At the same time, we are recruiting and training new manufacturing and engineering staff in readiness for the ramp up in production through these new facilities. Although this will restrict our revenue growth in the short term, we remain focused on preparation for medium and long term growth and expect to be ready to deliver increased revenue in 2011



Paul Taylor  
President and Chief Executive Officer  
13<sup>th</sup> May 2010

## Management's Discussion & Analysis

*The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of the Company for the quarters ended March 31st, 2010 and 2009.*

*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.*

### Overview of Operations

The Company enjoyed another successful and profitable quarter. Revenue was 6% higher than in preceding quarter. The gross margin increased from 23.7% in the fourth quarter of 2009 to 24.5% in the first quarter of 2010.

Expenses as a percentage of revenue fell from 15.8% in the fourth quarter of 2009 to 15.3% in the first quarter of 2010. The reduction continues a long term trend of reducing the expenses ratio.

As a consequence of these changes, the Company reported earnings before other income for the quarter of \$1.0 million, slightly above that reported in the fourth quarter of 2009. As a result of a switch from a foreign exchange loss in the last quarter to a foreign exchange gain in this quarter profit before tax rose from \$792,000 to \$1.1 million. The need to account for a tax charge on profits in the UK for the quarter, when there had been a release of tax provision in the last quarter resulted in net earnings reducing from \$823,000 to \$786,000.

The Company is seeing some weakness in the market reflecting the economic difficulties being experienced in a number of its major markets. Nevertheless, the strength of the order book at the end of March means that management is confident that revenue and earnings in the second quarter of 2010 should be at a similar level to that seen in the first quarter. Revenue and earnings is expected to be lower in the second half of 2010.

### Revenue

Revenue for the first quarter of 2010 was \$10.4 million, up by \$621,000 or 6% from the fourth quarter of 2009 with strong growth in the Bipolar

Discrete and Power Electronic Assemblies Groups, and declines in Power Modules and Integrated Circuit Groups. Revenue was \$570,000 or 5% lower than in the corresponding quarter of last year, with strong growth recorded in Power Electronic assemblies, modest growth in the Bipolar Discrete Product Group and declines in the Power Module and Integrated Circuit Product Groups. The comparison against the corresponding quarter of last year reflected the impact of an 8% decline in the value of Sterling against the Canadian Dollar. In Sterling terms, the value of UK revenue was a record for the existing business.

### Gross Margin

The gross margin was 24.5% in the first quarter of 2010 compared to 23.7% in the fourth quarter of 2009 and 29.8% in the corresponding quarter of last year. The corresponding quarter had benefitted from a particularly good product mix.

### Expenses

Expenses in the first quarter of 2010 of \$1.6 million were \$46,000 or 3% higher than in the fourth quarter of 2009. Compared to the first quarter of 2009, expenses fell by \$16,000 or 1%.

### Interest & Other Income

Interest and other income was \$60,000 in the first quarter of 2010, compared to \$47,000 in the preceding quarter and \$39,000 in the corresponding quarter of last year. A major constituent of Other Income continues to be the approximately \$40,000 quarterly release of deferred revenue arising from the sale and leaseback of a building in 2003.

### Foreign Exchange Gains and Losses

There was a foreign exchange gain in the quarter of \$131,000, compared to a loss of \$33,000 in the fourth quarter and a loss of \$64,000 in the corresponding quarter of last year.

### Income Taxes

The brought forward tax losses in the UK Company were exhausted during last year and for the current quarter tax is being provided at the UK statutory rate of 28% on UK earnings. Tax as a percentage of consolidated earnings is a little higher than this as there are unrelieved net expenses in Dynex Power Inc. A similar tax rate on UK was applied in the corresponding quarter of last year, although there was a release of tax in the fourth quarter of 2009 as a result of an adjustment in the overall tax rate for 2009.

## Net Earnings

The Company reported earnings of \$786,000 in the quarter compared to earnings in the previous quarter of \$823,000 and in the corresponding quarter of last year of \$1.2 million. The small decline compared to the previous quarter is more than accounted for by the switch from a tax release to a full tax charge.

## Segmental Analysis

Revenue for the Bipolar Discrete Group in the quarter of \$6.9 million was \$533,000 or 8% higher than the previous quarter and \$67,000 or 1% higher than in the corresponding quarter of last year. It represented a new record for the Bipolar Discrete Product Group. Significant capital expenditure has been undertaken in the bipolar fabrication area to ensure that bipolar revenue can continue to grow and the new equipment is now operational.

Revenue for the Power Modules Group in the quarter of \$890,000 was \$317,000 or 26% lower than the figure reported in the previous quarter. It was \$686,000 or 44% lower than the figure reported in the corresponding quarter of last year. The market for power modules remains weak and the business has suffered some disruption from the major expansion currently taking place of the IGBT fabrication facility.

Revenue for the Power Electronic Assemblies Group of \$2.4 million was \$743,000 or 46% higher than in the previous quarter and was the highest figure reported by the group for six and a half years. It was \$1.2 million or more than twice revenue reported in the corresponding quarter of last year.

Revenue from Integrated Circuits for the quarter of \$273,000 was \$338,000 or 55% lower than the figure in the preceding quarter and \$1.2 million or 81% lower than the corresponding quarter of 2009. The decline in revenue reflects the fact that this is no longer a core business and Dynex is no longer trying to make new die stock. Future sales will be made from existing die. Revenue is not expected to grow in future.

## Seasonality

Management does not regard the business as seasonal. In the case of Power Electronic Assemblies and Integrated Circuits, small numbers of large contracts drive both these segments. The delivery of

a large contract in a particular quarter can cause revenue to fluctuate significantly, giving the appearance of seasonality.

## Liquidity & Capital Resources

Although the Company recorded net earnings of \$786,000 in the quarter, this was more than offset by an unrealised foreign exchange loss on translating the financial statements of the UK operating company. As a result, shareholders' equity declined from \$31.4 million to \$29.6 million.

During the quarter, the Company used the funds raised through the rights issue that was completed at the end of December 2009 to repay debt. As a result, the gross borrowings of the Company were reduced from \$17.9 million to \$547,000.

Given the cash balance that still remains after these debt repayments, the Company had no net borrowings at the end of the quarter. However, adjusting for the cost of the IGBT expansion programme that is still to be paid for, the Company would have approximately \$3.5 million of net debt, some \$1 million lower than the comparative figure at the end of 2009. This equates to an adjusted debt equity ratio at the end of March of 12% compared to 17% at the end of 2009. The Company has, therefore, a strong base for further expansion in future.

The Company's principal short-term loan facility, a £3 million uncommitted facility, expired in March 2010. During the quarter, the Company entered into a new £3 million committed revolving credit agreement. A £1 million uncommitted overdraft facility was also arranged at the same time.

The Company has capital commitments at the quarter end of \$4.6 million mainly for the purchase of new fabrication equipment for IGBT products

The Company had no off balance sheet financing arrangements at the year-end.

## Outstanding Share Data

As of the date of this Management's Discussion and Analysis, the Company has 80,391,428 common shares outstanding and options to purchase 267,622 common shares outstanding.

## Selected Financial Information

	2010	2009	2009	2009	2009	2008	2008	2008	2009	2008	2007
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	FY	FY	FY
Revenue	10,433	9,811	9,347	9,722	11,003	9,810	9,349	9,773	39,884	37,017	30,155
Net earnings	786	823	701	725	1,165	705	395	2,291	3,417	4,562	2,172
Basic EPS	0.01	0.02	0.02	0.02	0.03	0.02	0.01	0.06	0.08	0.12	0.07
Diluted EPS	0.01	0.02	0.02	0.02	0.03	0.02	0.01	0.06	0.08	0.12	0.06
Total assets	37,232	56,784	30,111	28,593	23,229	20,661	18,204	18,580	56,784	20,661	15,087
Long term liabilities	1,117	894	814	855	3,504	3,489	1,943	2,301	894	3,489	3,447
Cash Dividends declared	0	0	0	0	0	0	0	0	0	0	0

Selected quarterly financial information (taken from the unaudited quarterly reports) and annual information (taken from the annual reports) is presented above. All figures have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in thousands of Dollars except for earnings per share figures (EPS) which are stated in Dollars per share. The figures for long term liabilities do not include deferred revenues, as these are not a liability of the Company that will give rise to a cash outflow.

Annual revenue rose by 23% between 2007 and 2008 and by 8% between 2008 and 2009. Quarterly revenues have been relatively stable over the period at a little under \$10 million per quarter with slightly better figures in the first quarter of 2009 and 2010.

The strong improvement in earnings in 2008 shows the impact of revenue growth and long-term cost reduction. Revenue growth in 2009 has been more modest and as a result of the costs of preparing for strong growth in future and the disruption caused by a major expansion of the IGBT fabrication facility, earnings have fallen. The net earnings in the second quarter of 2008 resulted from an exceptionally favourable product mix and were not expected to be repeated. Net earnings in the third quarter of 2008 were affected by significant one-off costs related to the CSR Times Electric acquisition of 75% of the common shares of the Company. Earnings in the other quarters remained reasonably stable.

### Risk Management

The Company 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 recent

purchase of a 75% stake in the Company by CSR Times Electric made the Company part of a larger group. The Company further tries to meet this challenge by ensuring it undertakes sufficient R&D and continuous improvements in manufacture 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 Company's product markets could have a material adverse effect on its competitive position within the industry. Dynex is increasing the percentage of revenue spent on R&D 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 Company. Global plans to reduce carbon emissions in response to concerns about climate change, including the 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 Company's products will remain strong despite the current economic problems that affect many developed economies. The recent purchase of a 75% stake in the Company by CSR Times Electric gives the Company improved access to the Chinese market which is less affected by the current economic problems. However, any reduction in investment in these areas would be detrimental to the future of the business.



The Company has based its future business development plans on the assumption that CSR Times Electric will purchase its IGBT products from Dynex. This is not certain as there are many factors that may 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 Company 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.

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

The Company's manufacturing yields vary significantly among products, depending on the complexity of a particular product's design and the Company'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 Company seeks to manage these risks by constantly monitoring and seeking to improve its yields through improvements in design, materials and manufacturing processes.

The Company's business is quite concentrated with over 50% of turnover typically coming from ten to twelve 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 recent acquisition of a major stake in the Company by CSR Times Electric gives the Company a much closer relationship with what is hoped will be a major customer in the future. The Company has developed and works to a Quality Policy, operated under ISO 9001:2008 in order to ensure it meets its customer's requirements as well as it possibly can. The Company constantly seeks to acquire new customers to broaden its customer base.

As disclosed in the Financial Statements, the Company had one customer that accounted for 17% of revenue and one customer that accounted for 12% of revenue during the quarter. Our relationship with both these customers and with all our other major customers and suppliers remains good.

The Company had one customer at March 31st, 2010 that accounted for 19% of accounts receivable and one customer that accounted for 10% of accounts receivable. The Company monitors closely the payment record of such significant debtors.

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 Company seeks to maintain close relationships with key suppliers, entering into long term supply arrangements where appropriate and by multi sourcing products where possible, in order to ensure continued access to such raw materials.

The supply of NTD silicon, which is used in the Company's highest power products, has become less secure recently due to a lack of reactor capacity. The Company has been seeking to build relationships with new suppliers to increase its security of supply.

In the case of electricity, the Company is a major user of electricity and the cost of electricity in the UK is subject to significant short term variation. The Company has developed and operates a formal Energy Management Plan in order to minimize the use of power. The Company 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 Company's expenses, particularly those relating to capital equipment and manufacturing overhead, are relatively fixed, making the Company's results extremely sensitive to volume reductions. The Company seeks to manage this risk by maintaining close relationships with its main customers and by seeking new customers. The Company's capability in power electronic assemblies is an important aspect of developing and maintaining such close relationships.

The Company's operating business is in Lincoln,

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

Although the Company buys some materials in continental Europe, the Far East and North America, the bulk of its costs are incurred in Sterling. However, it sells into world markets with many sales denominated in Euros and US dollars. As a consequence, the Company'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 Company'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 Company 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 Company uses many hazardous chemicals and gases. The Company operates a formal Health and Safety Plan and a formal Environmental Management Plan under ISO 14001 in order to ensure compliance with the relevant laws and regulations and to ensure that the risks to employees, third parties and the environment are minimized.

### **Financial Instruments & Other Instruments**

The Company does not use financial instruments or other instruments to manage its risks.

### **Government Assistance**

The Company received grants totalling \$32,000 during the quarter from the European Union and the British Government to assist in its research and development activities and grants of \$1,000 from the UK Government to purchase equipment.

### **Related Party Transactions**

On February 6th, 2009 the Company signed a new distributor agreement with CSR Times Electric. The Company has appointed CSR Times Electric to be its main distributor for high power semiconductors in The People's Republic of China. At the same time CSR Times Electric has appointed the Company to be its main distributor for high power semiconductors in Europe. The parts will be 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. CSR Times Electric placed an order for \$2,521,141 on the Company for deliveries in 2009 and in order to secure this capacity CSR Times Electric paid in advance for the full amount of this order. The Company has agreed to credit CSR Times Electric with interest on the outstanding balance each quarter at US prime rate plus 2%. During the quarter ended March 31st, 2010 the advance was fully utilised.

The Company incurred interest expense in the quarter ended March 31st, 2010 of \$9,077 relating to the advance from CSR Times Electric. At March 31st, 2010 accrued interest on the advanced payment amounted to \$69,903.

The Company purchased inventory in the quarter ended March 31st, 2010 of \$4,095 relating to purchases from CSR Times Electric under the distributor agreement. All such inventory was sold by the period end. At March 31st, 2010 \$2,595 was outstanding to CSR Times Electric.

The Company recorded revenue during the quarter ended March 31st, 2010 of \$560,558 relating to product sales to CSR Times Electric under the distributor agreement. At March 31st, 2010 \$73,802 was outstanding from CSR Times Electric.

On May 28th, 2009 the Company arranged a \$14.0 million twelve month revolving credit facility with ICBC (London) Limited with interest set at LIBOR plus 1.35%. The facility was guaranteed by CSR Times Electric. The loan, which had been fully drawn was repaid in January 2010.

On June 10th, 2009 the Company entered into an agreement with David Banks, a director of the Company, under which Mr. Banks undertook to carry out a number of additional duties relating to the rights issue the Company launched. Under the terms of the agreement, Mr. Banks will receive a fee equal to 3% of the amounts raised under the rights issue

excluding any amount subscribed by CSR Times Electric. Costs of \$168,822 relating to this fee have been included in the costs of the rights issue. At March 31st, 2010 \$168,822 was included in accounts payable and accrued liabilities.

The Company retains a business law firm in Canada to provide legal services and advice. During the quarter ended March 31st, 2010, this firm was paid \$15,886 in fees and expenses. At March 31st, 2010, \$10,596 was payable to this firm. One of the Company's directors is a partner of this firm.

The Company incurred expenses in the quarter ended March 31st, 2010 of \$5,000 with respect to fees payable to directors. As at March 31st, 2010, \$40,000 was payable to directors.

The Company uses CSR Times Electric to make purchases of raw materials for it in China. In the quarter ended March 31st, 2010 the Company purchased inventory of \$1,191,181 and purchased materials that were charged to research and development expenses of \$3,324 under this arrangement. At March 31st, 2010 \$450,447 was outstanding to CSR Times Electric.

CSR Times Electric uses the Company to buy certain raw materials for it. The Company recorded revenue in the quarter ended March 31st, 2010 of \$21,465 relating to this arrangement. At March 31st, 2010 an amount of \$11,381 was outstanding from CSR Times Electric and was included in amounts owing from parent company.

The Company recorded revenue in the quarter ended March 31st, 2010 of \$305,682 relating to the construction of a piece of equipment provided to CSR Times Electric for its IGBT assembly & test facility in Zhuzhou, China. At March 31st, 2010 \$286,385 was outstanding from CSR Times Electric.

The Company recorded revenue in the quarter ended March 31st, 2010 of \$48,062 relating to training and support provided to CSR Times Electric in setting up an IGBT assembly & test facility in Zhuzhou, China.

The Company recorded a contribution towards research & development costs in the quarter ended March 31st, 2010 of \$32,584 from CSR Times Electric.

### **Business Development**

Revenue in the first quarter of 2010 was just above \$10 million. Quarterly revenue is expected to be

around this level in the second quarter of 2010 with a slight decline possible in the third and fourth quarter, subject to the value of the Dollar not rising against Sterling.

Quarterly earnings before tax in the first quarter of 2010 were \$1.1 million. Quarterly earnings before tax are expected to fall below this level later in 2010 as the Company prepares for strong growth in 2011 and because of the disruption caused by the current IGBT fabrication facility expansion. In addition, due to the exhaustion of brought forward tax losses in the UK, the Company expects to incur a tax charge in the UK in 2010 much closer to the statutory tax rate of 28%.

### **Order Book**

At the end of March 2010, the order book stood at \$25.0 million. At the end of 2009, it had stood at \$31.4m. Approximately half of this reduction reflects a softening in the market with the rest the result of a strengthening of the Canadian Dollar Sterling exchange rate. Approximately 83% of these orders are for delivery in 2010.

### **Changes in Accounting Policies**

In January 2009 the CICA issued Handbook Sections 1582, 1601 and 1602 *Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*. The Company has been assessing these changes and has concluded that they will have no material impact on the consolidated financial statements when they are adopted.

### **Preparation for the Introduction of IFRS's**

On February 13th 2008, The Canadian Accounting Standards Board announced that Canadian profit-oriented publicly accountable entities, such as Dynex Power Inc., would be required to prepare their accounts using International Financial Reporting Standards (IFRS) from January 1st 2011. This announcement initiates a major change in financial reporting for the Company.

Management has been reviewing the changes that will be required as a result of the introduction of IFRSs. Management is currently working with an external advisor to prepare a detailed plan for the transition to IFRS accounting. However, this work was put on hold whilst the Company completed its recent rights issue. The Company now expects to be able to report the outcome of that work as part of the interim report on the second quarter of 2010. A major adjustment to the accounts that will be required as a result of this change will be the release

of the deferred revenue arising from the sale and leaseback of a property in Lincoln, England in 2003. The deferred revenue will be credited to shareholders' equity.

#### **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 Canadian generally accepted accounting principles. During the quarter ended March 31st, 2010, there have been no changes in the design of the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to affect materially the Company's internal control over financial reporting.

#### **Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com)



Bob Lockwood.  
Director and Chief Financial Officer  
13th May, 2010

**DYNEX POWER INC.**  
**Consolidated Statements of Earnings and Deficit (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

	<b>3 months</b>	3 months
	<b>Mar 31st</b>	Mar 31st
	<b>2010</b>	2009
<b>Revenue</b>	<b>\$ 10,432,799</b>	\$ 11,002,723
<b>Cost of sales</b>	<b>7,881,850</b>	7,723,164
<b>Gross margin</b>	<b>2,550,949</b>	3,279,559
<b>Expenses</b>		
General and administration	1,001,295	924,176
Sales and marketing	212,345	292,752
Research and development	331,988	255,919
Interest expense	48,103	136,595
	<b>1,593,731</b>	1,609,442
<b>Earnings before other income (expenses) and income taxes</b>	<b>957,218</b>	1,670,117
<b>Other income (expenses)</b>		
Interest and other income	59,741	38,622
Foreign exchange gain (loss)	130,911	(64,233)
	<b>190,652</b>	(25,611)
<b>Earnings before income taxes</b>	<b>1,147,870</b>	1,644,506
<b>Income taxes</b>	<b>(361,629)</b>	(479,818)
<b>NET EARNINGS</b>	<b>786,241</b>	1,164,688
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(3,755,471)</b>	(7,169,144)
<b>DEFICIT, END OF PERIOD</b>	<b>\$ (2,969,230)</b>	\$ (6,004,456)
<b>Earnings per share</b>		
Basic	\$ 0.01	\$ 0.03
Diluted (Note 4)	\$ 0.01	\$ 0.03
<b>Weighted average number of shares</b>		
Basic	80,391,428	40,194,834
Diluted (Note 4)	80,567,304	40,297,238

These financial statements should be read in conjunction with the notes set out on pages 17 to 22.

**DYNEX POWER INC.**  
**Consolidated Statements of Comprehensive (Loss) Income (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

	<b>3 months</b>	3 months
	<b>Mar 31st</b>	Mar 31st
	<b>2010</b>	2009
<b>Net earnings</b>	<b>\$ 786,241</b>	\$ 1,164,688
<b>Other Comprehensive (loss) income, net of tax:</b>		
Unrealized foreign exchange (loss) gain on translating financial statements of self-sustaining foreign operations	<b>(2,626,201)</b>	129,434
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>	<b>(2,626,201)</b>	129,434
<b>COMPREHENSIVE (LOSS) INCOME</b>	<b>\$ (1,839,960)</b>	\$ 1,294,122

**DYNEX POWER INC.**  
**Consolidated Statements of Accumulated Other Comprehensive Loss and Deficit (Unaudited)**  
**As at March 31st, 2010 and December 31st, 2009**

	<b>Mar 31st</b>	Dec 31st
	<b>2010</b>	2009
<b>Accumulated other comprehensive loss, beginning of period</b>	<b>\$ (1,853,191)</b>	\$ (1,380,101)
<b>Other comprehensive loss</b>	<b>(2,626,201)</b>	(473,090)
<b>Accumulated other comprehensive loss</b>	<b>(4,479,392)</b>	(1,853,191)
<b>Deficit</b>	<b>(2,969,230)</b>	(3,755,471)
<b>TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS AND DEFICIT</b>	<b>\$ (7,448,622)</b>	\$ (5,608,662)

Accumulated other comprehensive loss consists entirely of translation adjustments.

These financial statements should be read in conjunction with the notes set out on pages 17 to 22.

**DYNEX POWER INC.**  
**Consolidated Balance Sheets (Unaudited)**  
**As At March 31st, 2010 and December 31st, 2009**

	<b>Mar 31st 2010</b>	Dec 31st 2009
<b>CURRENT ASSETS</b>		
Cash	\$ 3,611,877	\$ 22,942,550
Accounts receivable	6,954,324	6,439,200
Inventories	8,207,493	8,872,155
Amounts owing from parent company (Note 10)	371,568	218,568
Income tax recoverable	87,643	96,413
Prepaid expenses and deposits	538,030	794,170
	<b>19,770,935</b>	<b>39,363,056</b>
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>		
	<b>17,460,857</b>	<b>17,420,677</b>
	<b>\$ 37,231,792</b>	<b>\$ 56,783,733</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,522,458	\$ 4,964,864
Short-term loan (Note 5)	-	16,273,732
Amounts owing to parent company (Note 10)	522,945	955,026
Current portion of long-term debt	12,874	24,921
Current portion of obligation under capital leases	101,282	113,602
Current portion of deferred revenue	529,270	1,174,803
	<b>5,688,829</b>	<b>23,506,948</b>
<b>LONG-TERM DEBT</b>	<b>-</b>	<b>942</b>
<b>LONG-TERM OBLIGATION UNDER CAPITAL LEASES</b>	<b>433,053</b>	<b>512,935</b>
<b>LONG-TERM DEFERRED REVENUE</b>	<b>833,184</b>	<b>949,290</b>
<b>FUTURE INCOME TAXES</b>	<b>683,824</b>	<b>380,756</b>
	<b>7,638,890</b>	<b>25,350,871</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	37,041,524	37,041,524
Deficit	(2,969,230)	(3,755,471)
Accumulated other comprehensive loss	(4,479,392)	(1,853,191)
	<b>29,592,902</b>	<b>31,432,862</b>
	<b>\$ 37,231,792</b>	<b>\$ 56,783,733</b>

These financial statements should be read in conjunction with the notes set out on pages 17 to 22.

**DYNEX POWER INC.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

	<b>3 months Mar 31st 2010</b>	3 months Mar 31st 2009
<b>OPERATING</b>		
Net earnings	\$ 786,241	\$ 1,164,688
<u>Items not affecting cash</u>		
Amortization	278,029	121,010
Gain on disposal of property, plant and equipment	(32,274)	(34,610)
Future income taxes	360,458	-
Non-cash interest	631	2,054
Provision for inventory obsolescence	340,271	55,981
Changes in non-cash operating working capital (Note 7)	(1,600,472)	(1,535,620)
	<b>132,884</b>	<b>(226,497)</b>
<b>FINANCING</b>		
Cost of share issue	(308,027)	-
Increase in amounts owing to parent company	-	2,521,141
Decrease in amounts owing to parent company	(553,002)	(284,605)
Decrease in short-term loans	(15,790,230)	(1,075,536)
Payments on capital leases	(37,583)	(26,973)
Decrease in long-term debt	(11,985)	(12,980)
	<b>(16,700,827)</b>	<b>1,121,047</b>
<b>INVESTING</b>		
Proceeds of disposal of property, plant and equipment	14,280	263
Purchase of property, plant and equipment	(2,184,201)	(434,623)
	<b>(2,169,921)</b>	<b>(434,360)</b>
Effect of foreign currency translation on cash	(592,809)	19,233
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(19,330,673)</b>	<b>479,423</b>
<b>Cash, beginning of period</b>	<b>22,942,550</b>	<b>404,638</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 3,611,877</b>	<b>\$ 884,061</b>
<b>Supplementary Information:</b>		
Interest paid during period	\$ 77,791	\$ 61,442
Income taxes paid during period	\$ -	\$ -

At March 31st 2010 \$683,093 is included in accounts payable in relation to purchases of property, plant and equipment (Dec 31st, 2009 - \$914,398) and therefore has been excluded from the cash flow. The amount included in accounts payable at December 31st 2009 is included in this period's cash flow.

These financial statements should be read in conjunction with the notes set out on pages 17 to 22.

**DYNEX POWER INC.**  
**Notes to the Consolidated Financial Statements (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

**1. DESCRIPTION OF BUSINESS**

The Company is engaged in the design and manufacture of industrial power equipment.

**2. FUTURE ACCOUNTING POLICIES**

*Revenue Recognition*

In December 2009, the CICA issued EIC 175, *Multiple Deliverable Revenue Arrangements*. The Company has assessed the EIC and determined that its application will not have a significant impact on the Company's consolidated financial statements.

*Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*

In January 2009 the CICA issued Handbook Sections 1582, 1601 and 1602, *Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*. The Company has been assessing these changes and has concluded that they will have no material impact on the consolidated financial statements when they are adopted.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Accounting Policies*

The consolidated financial statements presented here are prepared using the same accounting policies as were used last year, details of which are set out in the Annual Report for 2009, and are in accordance with Canadian generally accepted accounting principles. The disclosures in these interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. These interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31st, 2009.

*Currency of reporting*

All figures are in Canadian dollars except as otherwise stated.

**4. EARNINGS PER SHARE**

For the quarter ended March 31st, 2010 the number of shares that could potentially dilute basic earnings per share in the future but which were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive was nil (Mar 31st, 2009 – nil).

**5. SHORT-TERM LOAN**

The Company has a short-term secured loan of \$nil (Dec 31st, 2009 - \$3,889,437).

The Company has a short-term unsecured loan of \$nil (Dec 31st, 2009 - \$12,384,295).

Total interest expense on short-term loans for the quarter ended March 31st, 2010 was \$16,361 (Mar 31st, 2009 - \$25,772).

During March 2010, the Company's main short term financing agreement expired. The Company has entered into a new £3,000,000 (\$4,617,000), three year revolving credit agreement. At March 31st, 2010 no amounts had been drawn under this facility.

**DYNEX POWER INC.**  
**Notes to the Consolidated Financial Statements (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

**6. SHARE CAPITAL**

*Authorized:*

An unlimited number of common shares.  
An unlimited number of preferred shares issuable in series.

*Issued:*

The movement in the Company's issued and outstanding share capital is summarized below:

	<b>3 months Mar 31st 2010</b>	<b>3 months Mar 31st 2010</b>	12 months Dec 31st 2009	12 months Dec31st 2009
	<b>No of shares</b>		No of shares	
Share capital at start of the period	<b>80,391,428</b>	<b>\$ 37,041,524</b>	40,194,834	\$ 15,051,123
Shares issued for cash on the exercise of options	-	-	880	71
Shares issued under rights issue	-	-	40,195,714	21,990,330
Share capital at the end of the period	<b>80,391,428</b>	<b>\$ 37,041,524</b>	80,391,428	\$ 37,041,524

The Company has no issued and outstanding preferred shares.

*Common share transactions*

On July 8th, 2009 the Company issued 880 common shares at \$0.08 per share following an exercise of an option under the Company's stock option plan.

On December 23rd, 2009 the Company issued 8,279,948 common shares at \$0.56 per share in respect of the first closure of the rights issue. On December 31st, 2009 the Company issued a further 31,915,766 common shares at \$0.56 per share following the final closure of the rights issue. The Company incurred costs of \$519,270 which have been deducted from the gross proceeds and included in share capital.

*Independent directors' share plan*

The Independent Directors' Share Plan was adopted by the Board and shareholders in 2002. Under the plan, directors who are not employees are entitled to receive some or all of their remuneration in the form of common shares. When taking their fees in this way, the issue price of the shares is taken as the average trading price of the first 20 days of the year to which the fees relate.

**DYNEX POWER INC.**  
**Notes to the Consolidated Financial Statements (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

**6. SHARE CAPITAL (Continued)**

*Stock option plan*

A total of 2,657,316 (Dec 31st, 2009 – 2,657,316) of the common shares of the Company outstanding from time to time are reserved for the issuance of stock options pursuant to the Company's stock option plan. Generally, options granted under the plan vest evenly over a three-year period commencing one year from the date of grant and expire five years from the date of the grant. Options are not assignable. The movements in stock options are summarized below:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31st, 2008	268,502	0.20
Exercised	(880)	0.08
Outstanding and exercisable at December 31st, 2009 and March 31st, 2010	<b>267,622</b>	<b>\$ 0.20</b>

At March 31st, 2010 there are 267,622 options outstanding and exercisable with a weighted average exercise price of \$0.20 and a weighted average remaining life of 1 year and 8 months (Dec 31st, 2009 – 267,622 options outstanding and exercisable with a weighted average exercise price of \$0.20 and with a weighted average remaining life of 1 year and 11 months).

At March 31st, 2010 the following stock options are outstanding:

	Grant Date	Expiry Date	Number of Options	Exercise Price
Directors	Aug 9, 2005	Aug 8, 2010	64,757	\$ 0.08
	Dec 10, 2007	Dec 9, 2012	100,000	0.30
	Feb 14, 2008	Feb 13, 2013	50,000	0.30
All other employees	Aug 9, 2005	Aug 8, 2010	52,865	0.08
Total outstanding			<b>267,622</b>	<b>\$ 0.20</b>

**7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS**

	<b>3 months Mar 31st 2010</b>	3 months Mar 31st 2009
Accounts receivable	\$ (1,151,513)	\$ (1,530,180)
Inventories	(492,239)	20,944
Prepaid expenses and deposits	201,490	26,085
Accounts payable and accrued liabilities	(158,210)	(535,128)
Income tax recoverable	-	482,659
	<b>\$ (1,600,472)</b>	<b>\$ (1,535,620)</b>

**DYNEX POWER INC.**  
**Notes to the Consolidated Financial Statements (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

**8. ECONOMIC DEPENDENCE**

For the quarter ended March 31st, 2010 the Company had one customer accounting for approximately 17% of revenue and one customer accounting for approximately 12% of revenue (Mar 31st, 2009 - one customer accounting for approximately 11% of revenue).

At March 31st, 2010 the Company had one customer accounting for 19% of accounts receivable and one customer accounting for 10% of accounts receivable (Dec 31st, 2009 – one customer accounting for 19% of accounts receivable and one customer accounting for 16% of accounts receivable).

**9. BUSINESS SEGMENT INFORMATION**

*Business area*

The business operates in four distinct product areas – high power bipolar discrete devices, high power modules, power electronic assemblies (the design and assembly of power devices into stacks) and high reliability integrated circuits. The product manufacturing for these areas is supported by common infrastructure at the Company’s Lincoln, England facility. As at March 31st, 2010, the Company does not segregate assets or other balance sheet accounts by product area nor does the Company measure operating profits by these areas. The Company evaluates performance and allocates resources based on revenue by product area.

*Geographic area*

The destination of sale (the location of the customer) of revenues and the location of tangible assets determine the geographic areas.

	<b>3 months Mar 31st 2010</b>	3 months Mar 31st 2009
Revenue:		
Business segment		
Bipolar Discrete Group	\$ 6,901,622	\$ 6,834,999
Power Modules Group	889,770	1,576,067
Power Electronic Assemblies	2,368,333	1,127,525
Integrated Circuits Group	273,074	1,464,132
	<b>\$ 10,432,799</b>	<b>\$ 11,002,723</b>
Geographic area		
Canada	\$ 3,538	\$ 104,438
United Kingdom	2,440,043	2,443,971
Germany	1,736,436	1,691,636
France	1,269,797	1,844,482
United States of America	970,878	1,307,482
Other	4,012,107	3,610,714
	<b>\$ 10,432,799</b>	<b>\$ 11,002,723</b>

All property, plant and equipment of the Company are located in the UK.

**DYNEX POWER INC.**

**Notes to the Consolidated Financial Statements (Unaudited)**

**Quarters Ended March 31st, 2010 and 2009**

**10. RELATED PARTY TRANSACTIONS**

On February 6th, 2009 the Company signed a new distributor agreement with CSR Times Electric, the Company's majority shareholder. The Company has appointed CSR Times Electric to be its main distributor for high power semiconductors in The People's Republic of China. At the same time CSR Times Electric has appointed the Company to be its main distributor for high power semiconductors in Europe. The parts will be 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. CSR Times Electric placed an order for \$2,521,141 with the Company for deliveries in 2009 and in order to secure this capacity CSR Times Electric paid in advance for the full amount of this order. The Company has agreed to credit CSR Times Electric with interest on the outstanding balance each quarter at US prime rate plus 2%. During the quarter ended March 31st, 2010 the advance was fully utilised (Dec 31st, 2009 - \$519,387 was outstanding to CSR Times Electric and was included in amounts owing to parent company).

The Company incurred interest expense in the quarter ended March 31st, 2010 of \$9,077 (Mar 31st, 2009 - \$24,803) relating to the advance from CSR Times Electric. At March 31st, 2010 accrued interest on the advanced payment amounting to \$69,903 was included in amounts owing to parent company (Dec 31st, 2009 - \$67,544).

The Company purchased inventory in the quarter ended March 31st, 2010 of \$4,095 (Mar 31st, 2009 - \$22,281) relating to purchases from CSR Times Electric under the distributor agreement. All such inventory was sold by the period end. At March 31st, 2010 \$2,595 was outstanding to CSR Times Electric and was included in amounts owing to parent company (Dec 31st, 2009 - \$nil).

The Company recorded revenue during the quarter ended March 31st, 2010 of \$560,558 (Mar 31st, 2009 - \$327,755) relating to product sales to CSR Times Electric under the distributor agreement. At March 31st, 2010 \$73,802 was outstanding from CSR Times Electric and was included in amounts owing from parent company (Dec 31st, 2009 - \$nil).

On May 28th, 2009 the Company arranged a \$14.0 million twelve month revolving credit facility with ICBC (London) Limited with interest set at LIBOR plus 1.35%. The facility is guaranteed by CSR Times Electric. At March 31st, 2010 \$nil was outstanding on this facility (Dec 31st - \$12,384,295 was included in short term loans) (see Note 5).

On June 10th, 2009 the Company entered into an agreement with David Banks, a director of the Company, under which Mr. Banks undertook to carry out a number of additional duties relating to the rights issue the Company launched. Under the terms of the agreement, Mr. Banks will receive a fee equal to 3% of the amounts raised under the rights issue excluding any amount subscribed by CSR Times Electric. Costs of \$168,822 relating to this fee has been included in the costs of the rights issue, deducted from the gross proceeds and included in share capital (see Note 6). At March 31st, 2010 \$168,822 was included in accounts payable and accrued liabilities (Dec 31st, 2009 - \$168,822).

The Company had a loan from CSR Times Electric of \$nil (Dec 31st, 2009 - \$nil). The loan carried interest at 8% and was repaid in full on December 22nd, 2009. The Company incurred interest expense in the quarter ended March 31st, 2010 of \$nil (Mar 31st, 2009 - \$55,646) relating to this loan.

On December 23rd, 2009 as part of the first closing of the Rights Issue and December 31st, 2009 as part of the final closing of the Rights Issue, a total of 30,146,126 common shares was issued at \$0.56 to CSR Times Electric.

On December 23rd, 2009 as part of the first closing of the Rights Issue and December 31st, 2009 as part of the final closing of the Rights Issue, a total of 3,105,225 common shares was issued at \$0.56 to directors.

**DYNEX POWER INC.**  
**Notes to the Consolidated Financial Statements (Unaudited)**  
**Quarters Ended March 31st, 2010 and 2009**

**10. RELATED PARTY TRANSACTIONS (continued)**

The Company retains a business law firm in Canada to provide legal services and advice. During the quarter ended March 31st, 2010, this firm was paid \$15,886 (Mar 31st, 2009 - \$15,014) in fees and expenses. At March 31st, 2010, \$10,596 was payable to this firm (Dec 31st, 2009 - \$187,056). One of the Company's directors is a partner of this firm.

The Company incurred expenses in the quarter ended March 31st, 2010 of \$5,000 (Mar 31st, 2009 - \$17,500) with respect to fees payable to directors. As at March 31st, 2010 \$40,000 was payable to directors (Dec 31st, 2009 - \$35,000).

The Company uses CSR Times Electric to make purchases of raw materials for it in China. In the quarter ended March 31st, 2010 the Company purchased inventory of \$1,191,181 (Mar 31st, 2009 - \$nil) and purchased materials that were charged to research and development expenses of \$3,324 (Mar 31st, 2009 - \$nil) under this arrangement. At March 31st, 2010 \$450,447 was outstanding to CSR Times Electric and was included in amounts owing to parent company (Dec 31st, 2009 - \$368,095) and advance payments of \$nil have been made to CSR Times Electric and was included in amounts owing from parent company (Dec 31st, 2009 - \$55,178).

CSR Times Electric uses the Company to buy certain raw materials for it. The Company recorded revenue in the quarter ended March 31st, 2010 of \$21,465 (Mar 31st, 2009 - \$nil) relating to this arrangement. At March 31st, 2010 an amount of \$11,381 was outstanding from CSR Times Electric and was included in amounts owing from parent company (Dec 31st, 2009 - \$163,390).

The Company recorded revenue in the quarter ended March 31st, 2010 of \$305,682 (Mar 31st, 2009 - \$nil) relating to the construction of a piece of equipment provided to CSR Times Electric for its IGBT assembly & test facility in Zhuzhou, China. At March 31st, 2010 \$286,385 was outstanding from CSR Times Electric and was included in amounts owing from parent company (Dec 31st, 2009 - \$nil).

The Company recorded revenue in the quarter ended March 31st, 2010 of \$48,062 (Mar 31st, 2009 - \$nil) relating to training and support provided to CSR Times Electric in setting up an IGBT assembly & test facility in Zhuzhou, China. At March 31st, 2010 \$nil of invoiced amounts has been carried forward and included in the current portion of deferred revenue (Dec 31st, 2009 - \$49,534).

The Company recorded a contribution towards research & development costs in the quarter ended March 31st, 2010 of \$32,584 (Mar 31st, 2009 - \$nil) from CSR Times Electric. At March 31st, 2010 \$nil of invoiced amounts has been carried forward and included in the current portion of deferred revenue (Dec 31st, 2009 - \$33,860).

Advances to and from the parent company are recorded at the carrying amounts. The directors' fees and other related party amounts are recorded at the negotiated amounts.

**11. COMMITMENTS**

The Company has capital commitments at March 31st, 2010 of \$4.6 million mainly for the purchase of new fabrication equipment for power module products (Dec 31st, 2009 - \$3.8 million).

## Corporate Information

### Board of Directors

Li Donglin <sup>(1)(3)</sup>  
Chairman

Paul Taylor <sup>(1)</sup>  
Director, President & CEO

Bob Lockwood <sup>(1)</sup>  
Director, VP Finance & CFO

Debbie Weinstein <sup>(1)(2)</sup>  
Director & Company Secretary

David Banks <sup>(1)(3)</sup>  
Director

Shu Lihui <sup>(1)(2)(3)</sup>  
Director

Peter Tan <sup>(1)</sup>  
Director

Liu Ke'an <sup>(1)(2)</sup>  
Director

<sup>(1)</sup> Member of the Governance Committee

<sup>(2)</sup> Member of Audit Committee

<sup>(3)</sup> Member of Compensation Committee

### Senior Officers, VP's & Senior Managers

Paul Taylor  
President & CEO

Bob Lockwood  
VP Finance & CFO

Bill McGhie  
Power Electronic Assemblies Business Manager

Mark Kempton  
Operations Director

Peter Tan  
Sales & Marketing Director

Liu Guoyou  
Senior Manager – Global Technology

Debra Clipson  
Human Resources Manager

### Stock Exchange Listing

Toronto Ventures Exchange  
Symbol: DNX

### Auditors

Canada – Deloitte & Touche LLP  
UK – Deloitte LLP

### Legal Counsel

LaBarge Weinstein Professional Corporation  
Ottawa, Ontario

### Transfer Agent

Computershare Trust Company of Canada

### Dynex Locations

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

Telephone +44 1522 500500  
Fax +44 1522 500660

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