DYNEX POWER INC.

REPORT FOR THE QUARTER ENDED MARCH 31ST 2013

Our objectives are

To grow and develop as a leading manufacturer of high power and high reliability electronic products

Our key values are

Customers

Delivering confidence in our products and services through applying high standards of quality and service whilst maintaining a personal and flexible approach to our customers.

Engineering

Enabling access to the best engineering skills and applying the highest technical standards to our customers' requirements.

Profitability

Sustaining and developing our business through directing efforts into the most profitable sectors of our business.

Integrity

Being honest, straightforward and reliable in dealing with people across all areas of our business.

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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
- 323 employees (March 2013)
- ISO9001:2008 and ISO14001:2004 approved
- Further information: www.dynexpower.com

Products

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

Customers

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

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

Letter to Shareholders

During the first quarter 2013 our revenue fell below that typical of the past two years, and delivered a net loss for the quarter. This result was in line with expectations: in our last press statements Dynex management had indicated that revenue in the first quarter of 2013 would be significantly below that in recent quarters and that as a result, the Company might operate below break-even. That revenue reduction was advised to reflect the slow recovery in global markets, a temporary decline in demand from China and a delay to major contracts in Europe. The actual sales revenue was indeed affected in that way with reductions in sales of power modules, IGBT die, bipolar products and power assemblies.

Nevertheless, management remains confident in forecasting that revenue in the second quarter of 2013 will show significant growth over the first quarter, should remain strong for the rest of the year, and that net profits are expected to recover to levels similar to or slightly ahead of those reported last year. For that reason, and despite the downturn in customer demand, management took a decision to maintain engineering and production capacity throughout all product lines in readiness for the recovery in demand. This had a negative impact on the gross profit margin during the first quarter, which also impacted the net profit, but this decision enables a rapid recovery in production output following the downturn.

Management confidence is born out of the increased level of new orders received from our customers during the latter part of last year with that improved trend being sustained into 2013. At the end of the first quarter, the Company's order book stood at $25.0 million, approximately 23% higher than at the end of last year. Included were a series of major orders for the production of Dynex products for electric grid applications: these orders cover the supply of bipolar discrete devices, IGBT modules and power assemblies, commence in the second quarter of 2013 and last for nearly 12 months. As previously reported, the electric grid sector is a key target market for Dynex Semiconductor and it is encouraging to see such a strong uptake in Dynex product.

According to IMS Research, globally in 2012, there had been a decline in market demand: bipolar thyristor demand fell by 2% and IGBT modules by 22% compared to the prior year. Fortunately Dynex had been able to increase its IGBT market share in 2012 due to strong support from CSR Times Electric and that sheltered the business from the full impact of the market decline. Unfortunately there was some carry over into the first quarter of 2013 due to stock levels at our customer which reduced sales of IGBT die and modules.

Looking ahead, growth was forecast by IMS research, with thyristor demand expected to increase by 2% and IGBT modules by 7.9% in 2013. Growth expectations for modules in 2013 were also reported by Yole Development during the recent PCIM exhibition held in Germany in May 2013.

Strong interest in Dynex products was shown at the PCIM exhibition when Dynex was pleased to show its customers a new range of 3.3kV IGBT modules recently released from our R&D Centre based on our latest DMOS+ technology. At the same time we announced that we are applying the same DMOS+ technology to 4.5kV and 6.5kV modules with full production coming on stream during 2013. Using our DMOS+ technology, these modules offer 25% more current handling than our previous products and are suitable for a wide range of applications including railway and electric grid applications.

As we complete the release of our very high power IGBT range we are now turning our attention to the mid-voltage range of 1200V to 1700V. Working closely with our colleagues at Zhuzhou CSR Times Electric we have identified a range of five new power semiconductor module packages that are in demand both within the CSR Group and by our customers over this mid-voltage range, and the R&D team are preparing the design and development of these parts. At the same time our R&D teams are developing the complementary chip designs and fabrication processes to increase energy density and switching efficiency. The target applications for these new IGBT modules include railway, renewable energy, electric vehicles and industrial power conversion.

Thank you for your loyal support for Dynex and please be assured that management fully understand that the financial results for this difficult period are disappointing. Nevertheless, given our accelerated R&D activity, our sustained engineering and production capacities, and increased order book, we trust you agree that Dynex is well placed to increase our market share and gain leverage from the anticipated market recovery.

PDTaylor

Paul Taylor
President and Chief Executive Officer
May 20th, 2013

Management's Discussion & Analysis

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements of the Company for the quarter ended March 31st, 2013.

This management's discussion and analysis contains certain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Group's business and results of operation. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated.

Introduction to the Dynex Group

Dynex Power Inc. (the "Company") was formed in Ottawa, Canada on June 15th, 1999 and is quoted on the TSX Venture Exchange under the symbol DNX. The Company has one subsidiary, Dynex Semiconductor Limited (the "Subsidiary"), which is wholly owned and based in Lincoln, England. The Company and its Subsidiary (collectively, the "Group") are engaged in the design, manufacture and sale of industrial power equipment.

Apart from a few administrative activities carried out by Dynex Power Inc., all the business of the Group is carried out by Dynex Semiconductor Limited.

In 2008, Zhuzhou CSR Times Electric Co., Ltd ("CSR Times Electric") acquired approximately 75% of the share capital of the Company and thus became the Company's immediate parent company. CSR Times Electric is itself majority owned by the CSR Group which is therefore the Company's ultimate parent company. Both CSR Times Electric and the CSR Group are established in the People's Republic of China and are themselves quoted companies.

Dynex's Business and Strategy

The Group is primarily engaged in the design, manufacture and sale of high power bipolar discrete semiconductors, high power modules (IGBTs) and die and high power electronic assemblies. The Group's aim, working in conjunction with the Power Electronic Business Unit of CSR Times Electric, is to be recognised as one of the world's leading manufacturers of high power semiconductors.

The Group is also engaged in the manufacture and sale of high reliability integrated circuits. This is no longer regarded by management as a core activity of the Group and so the Group is seeking to maximise the revenue from its remaining inventory of such devices.

All the production of the Group takes place in a single factory in Lincoln, England often using common facilities and shared staff. Consequently, the Group regards bipolar discrete, power modules and die, power electronic assemblies and integrated circuits as separate product groups for revenue analysis but does not regard them as separate operating segments for reporting purposes. The Group does not analyse gross margins, expenses, taxation, net profit or assets by product group.

Due to the nature of silicon wafer fabrication, there is a relatively high level of fixed costs in the business. Consequently, the profitability of the business is particularly responsive to the volume of production and, therefore, the overall level of revenue.

Management does not regard the business as seasonal. In the case of Power Electronic Assemblies and Integrated Circuits, small numbers of large contracts drive revenues in both these segments. The delivery of a large contract in a particular quarter can cause revenue to fluctuate significantly, giving the appearance of seasonality.

Foreign Exchange Rates

Because all of the design, manufacture and sale of products are carried out by the Subsidiary, all of these transactions are initially recorded in Sterling and have to be translated into Canadian Dollars for inclusion in the Group's financial statements. Consequently, changes in the Sterling/Canadian Dollar exchange rate can have a significant influence on reported results. The following exchange rates have been used in preparing these Condensed Consolidated Financial Statements:

	£1 equals
Average rate January to March 2013	C$1.5708
Average rate January to March 2012	C$1.5768
Rate at March 31st, 2013	C$1.5370
Rate at December 31st, 2012	C$1.6085

As illustrated, the Canadian Dollar rate against Sterling for the first quarter of 2013 was similar to the rate in the corresponding quarter of 2012. Consequently, exchange rate movements had little impact on reported revenue and expenditure in the quarter.

The Canadian Dollar rate against Sterling at March 31st, 2013 was almost 5% stronger than the rate at December 31st, 2012. Consequently, this did have an impact on values of assets and liabilities.

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

As had been indicated in a press release issued on February 20th, 2013, revenue was significantly weaker in the first quarter of 2013 than in recent quarters and in a business with high fixed costs, this had a major impact on operating performance. The current quarter showed a 35% reduction in revenue compared with the corresponding quarter of the preceding year which resulted in a gross loss for the quarter. The Group made a net loss in the quarter of $1.1 million compared to a net profit of $759,000 in the corresponding quarter of the preceding year.

The Company's booking to billings ratio for the quarter was 1.82. The level of bookings was ahead of budget and this, combined with the low level of billings in the quarter, explains the strong ratio being reported.

Revenue

Revenue for the first quarter of 2013 was $6.9 million, $3.6 million or 35% lower than in the corresponding quarter of last year. The change comprised a major reduction in sales of power modules and die and significant reductions in bipolar discrete and power electronic assemblies. There had been a significant increase in service revenues and revenues from the sale of CSR Times Electric products partially offset by a major reduction in integrated circuit revenue, but these are all smaller product group sales and hence less significant to the overall reduction in revenue. The reduction in revenues from power modules and die reflected a slowdown in orders for Chinese railways and overstocking of parts by our parent company. The reduction in revenues from bipolar and power electronic assemblies reflected continuing weakness in European markets and delays in projects by our major customers. Management believes the quarter represented a turning point and expects revenue to pick up in the second quarter. It should also be borne in mind that the first quarter of 2012 had been one of the strongest quarters ever for Dynex.

Gross Margin

Dynex made a small gross loss in the first quarter of 2013 compared to a gross margin of 25.0% of revenue in the first quarter of 2012. The gross loss was a direct result of the poor revenue reported and also reflected a decision by management to maintain engineering and production capacity in anticipation of a recovery in demand rather than short term cost cutting which would make the business less able to respond to the increased demand for product currently anticipated.

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. This was not possible given the steep fall in revenue and such expenses were 13.3% of revenue in the first quarter of 2013 compared to 11.2% in the corresponding quarter of last year. However, in absolute terms such cost fell by 8% reflecting the tight control being exercised in these difficult times.

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 2013 was $257,000. This was $30,000 or 10% lower than in the corresponding quarter of last year.

However, management believes that the gross expenditure on research and development is a more important indicator of the Group's commitment to product development. Gross research and development expenditure increased to 17.2% of revenue in the quarter compared to 9.2% of revenue in the corresponding quarter of last year. The increase in part reflected the steep fall in revenue but there had also been an absolute increase in gross research and development expenditure which results from the deliberate decision by management to invest in product development and from the decision by CSR Times Electric to establish the jointly funded R&D Centre in Lincoln.

Finance Costs

Finance costs for the quarter were $103,000, compared to $105,000 the corresponding quarter of last year. The difference is not considered material.

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/Profit before Tax

As a result of the above factors, the Group reported a loss before tax of $1.4 million compared to a profit before tax of $1.0 million in the corresponding quarter of last year.

Tax Expense

The Group recorded a tax recovery of 21.4% of the loss before before tax in the first quarter of 2013. There had been a tax charge of 26.5% in the corresponding quarter of last year. The reduction in tax rate reflects costs that do not generate tax recoveries in Canada.

Net Loss/Profit

The Group reported a net loss of $1.1 million in the first quarter of 2013 compared to a net profit of $759,000 in the corresponding quarter of last year.

Liquidity & Capital Resources

Objective

The Group's objective is to maintain a strong balance sheet so as to be able to carry out its business efficiently, to be able to grow revenue substantially over the medium term and to be in a position to take advantage of market opportunities.

Property, Plant and Equipment

The net value of property, plant and equipment, which had stood at only $1.1 million at the end of 2007, reduced from $33.7 million at the end of 2012 and now stands at $31.7 million. The reduction reflects delays to capital expenditure to conserve cash at this difficult time.

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 2012, working capital stood at $14.3 million compared to $12.4 million at the end of December 2012. The increase reflected a $625,000 increase in amounts due from the parent company, a $648,000 increase in prepayments, a $904,000 reduction in other payables and accruals and a $380,000 reduction in deferred tax balances partially offset by a $508,000 increase in trade payables.

Net Debt

At the end of March 2012, the Group had net debt (borrowings less cash) of $12.3 million. At the end of December 2012, it had net debt of $9.9 million. The change reflects the loss made in the quarter together with the increases in working capital referred to above.

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

Equity

Equity decreased by $2.6 million since the end of the preceding year. The decrease resulted from the net loss of $1.1 million and an exchange loss on translation of the UK subsidiary of $1.5 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 2013, the Group had a gearing ratio of 36.6%. At the end of the preceding year, the Group had a gearing ratio of 27.2%. Management still regards this as a low level of gearing and it provides flexibility for further borrowings if required.

Borrowing Facilities

The Group seeks to have committed facilities sufficient to meet its expected financing needs for the next two years. At the end of March 2013, the Group's $4.6 million committed borrowing facility was fully drawn. The Group also has a $5.3 million mortgage backed loan, a $1.0 million loan from a fellow subsidiary of CSR Times Electric, and a smaller loan and leasing arrangements totalling $570,000. The Group also maintains a $1.5 million uncommitted overdraft facility to help with its day-to-day cash management. At the end of the quarter, $1.4 million was drawn under this facility and the Group had $598,000 of cash. At the quarter end, net debt was equivalent to approximately 107% of the committed facilities available to the Group. The Group has made changes to its borrowing facilities since the quarter end and these are discussed under Subsequent Events below.

Cash Flow

There was an outflow of $2.5 million from operating activities in the quarter. The main constituents of the cash outflow were the loss before tax of $1.4 million and an increase in working capital of $2.0 million offset by depreciation of $834,000.

Commitments

The Group has capital commitments at the quarter end of $600,000 mainly for manufacturing and research and development equipment.

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. Other than such potential warranty claims, Management is not aware of any contingent liabilities of the Group.

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

Selected Financial Information

	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2012 FY	2011 FY	2010 FY
Revenue	6,877	9,930	9,307	9,856	10,522	9,633	9,860	9,018	39,615	36,082	36,161
Gross Profit	(249)	1,067	1,462	1,569	2,633	2,209	2,976	1,938	6,732	8,616	6,893
Gross profit %	(0.0%)	10.7%	15.7%	15.9%	25.0%	22.9%	30.2%	21.5%	17.0%	23.9%	19.1%
Gross R&D %	17.2%	10.9%	11.8%	10.7%	9.2%	9.9%	16.4%	6.4%	10.6%	10.2%	4.3%
Profit before Tax	(1,404)	(192)	166	226	1,033	729	1,665	755	1,233	3,458	1,994
Net Profit	(1,103)	55	109	142	759	724	1,229	540	1,066	2,710	1,345
Earnings per Share											
Basic	(0.01)	0.00	0.00	0.00	0.01	0.01	0.02	0.01	0.01	0.03	0.02
Diluted	(0.01)	0.00	0.00	0.00	0.01	0.01	0.02	0.01	0.01	0.03	0.02
Property, plant, equipm't	31,686	33,709	33,476	32,465	30,931	30,624	31,215	23,441	33,706	30,624	22,493
Working capital	14,273	12,428	13,525	12,533	13,194	10,754	12,533	10,683	12,428	10,754	6,321
Net(debt)/cash	(12,311)	(9,854)	(11,101)	(9,004)	(8,557)	(6,724)	(8,977)	(2,057)	(9,854)	(6,724)	2,629
Equity	33,648	36,283	35,900	35,994	35,568	34,654	34,771	32,067	36,283	34,654	31,443
Dividends	0	0	0	0	0	0	0	0	0	0	0

Selected quarterly and annual financial information is presented above. All quarterly figures have been prepared in accordance with IFRS. These figures have not been audited except for balance sheet figures for each of the fourth quarters. All figures for the financial year 2010, 2011 and 2012 have been prepared in accordance with IFRS and 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 property, plant and equipment 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)/cash is defined as cash less borrowings and derivative financial instruments. The amounts shown for equity are as disclosed in the financial statements.

Annual revenue declined by 0.2% between 2010 and 2011. However, this decline was as a result of the strengthening of the Canadian Dollar against Sterling. In Sterling terms, revenue had risen by approximately 1%. Annual revenue grew by approximately 10% between 2011 and 2012. Quarterly revenue grew between the second and third quarters of 2011 and then remained steady for six quarters. There was a significant decline in revenue in the first quarter of 2013. The reduction reflected a slowdown in orders for Chinese railways and overstocking of parts by our parent company and continuing weakness in European markets and delays in projects by our major customers.

The gross profit percentage was impacted in 2010 by the disruption caused by the expansion project. The gross profit percentage in 2011 was again in line with management expectations. The gross profit percentage in 2012 reflects the difficult economic conditions in several of the Group's markets and the extreme price pressures currently being experienced. The level in 2012 is below management expectations. The gross profit percentage in the second quarter of 2011 was in line with management expectations. A number of one-off reductions in cost of sales in the third quarter resulted in a gross profit percentage higher than normal. In the fourth quarter of 2011, it was again in line with management expectations. The gross profit percentage in 2012 has reduced quarter by quarter as a result of preparing for future growth and the extremely price competitive nature of the markets at present. The continuing competitive nature of the market and the sharp fall in revenue in the first quarter of 2013 resulted in a gross loss being made in the quarter.

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 ratio of 16.4% for the third quarter of 2011 has been affected by two one-off charges totalling approximately $750,000 recorded in the quarter. Without these one-off adjustments, the ratio would have been approximately 8.8%. The rise in the ratio to 17.2% in the first quarter of 2013 reflects the fall in revenue in the quarter.

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 quarterly figures follow the same trend except for the fourth quarter in each year where significant releases of the tax provisions have been possible in both years.

The figures for property, plant and equipment show continued investment throughout the business up until the end of 2012. In the first quarter of 2013, capital expenditure was held back in view of the poor financial performance. The large increase in the third quarter of 2011 reflects the purchase of the Doddington Road site. The modest decline in the first quarter of 2013 reflects management caution with regard to discretionary expenditure during a difficult period.

Working capital levels were generally equivalent to between two and three month's revenue in 2010 but in 2011 and 2012 have tended to be equivalent to between three and four months revenue. The increase reflects the fact that more 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 and from the increase in inventories associated with the two new IGBT wafer fabrication lines. The increase in the first quarter of 2013 was expected and reflected seasonal factors.

Following a rights issue in December 2009 the Group had a strong net cash position. This cash was spent on the two new IGBT lines in 2010 and 2011. The Group still had net cash at the end of 2010. Following completion of the expansion project in 2011, the Group returned to a net debt position. The purchase of the Doddington Road site resulted in a substantial increase in net debt in the third quarter of 2011. The increase in the first quarter of 2013 reflects the cost of funding the loss before tax in the quarter.

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 despite the current economic problems that affect many developed economies. The purchase of a 75% stake in the Company by CSR Times Electric in October 2008 gives the Group 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 Group has based its future business development plans on the assumption that CSR Times Electric will purchase a substantial portion of its IGBT product requirements from Dynex. This is not certain as there are many factors that could prevent CSR Times Electric purchasing such products. In particular, there is a risk that Dynex IGBT modules may prove technically incompatible or not competitive for use in CSR Times Electric equipment and that may materially reduce the future demand for IGBT modules. The Group is working closely with CSR Times Electric, has set up several joint teams and is increasing its R&D expenditure to ensure that its products are able to meet CSR Times Electric's needs and the needs of other power electronic equipment manufacturers both within China and the rest of the world.

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

The Group's manufacturing yields vary significantly among products, depending on the complexity of a particular product's design and the Group's experience in manufacturing that type of product, the quality of the raw materials and bought in components used in manufacture and the effects of contamination or other difficulties during the semiconductor fabrication process. Deterioration in yields will increase production costs and therefore reduce margins. In addition, failure to meet planning yields may also lead to late deliveries to customers. The Group seeks to manage these risks by constantly monitoring and seeking to improve its yields through improvements in design, materials and manufacturing processes.

The Group's business is quite concentrated, with over 75% of turnover typically coming from ten or fewer customers. The failure or consolidation of any of these customers around companies owned or supplied by Dynex's major competitors could significantly reduce the opportunities available to the business in future. The acquisition of a major stake in the Company by CSR Times Electric in October 2008 has given the Group a much closer relationship with this entity which has become the Group's major customer. The Group has developed and works to a Quality Policy, operated under ISO 9001:2008 in order to ensure it meets its customers' requirements as well as it possibly can. The Group constantly seeks to acquire new customers to broaden its customer base.

Certain raw materials, such as silicon, neutron transmutation doped (“NTD”) silicon, molybdenum, ceramic housings, substrates, baseplates, wafer fabrication chemicals and gases, electricity and assembly materials and sub-contract services are critical to the manufacture of high power semiconductors. The Group seeks to maintain close relationships with key suppliers, entering into long term supply arrangements where appropriate and by multi sourcing products where possible, in order to ensure continued access to such raw materials.

The supply of NTD silicon, which is used in the Group’s highest power products, has become less secure recently following a reduction in the number of suppliers. The Group continues to strengthen its relationship with existing suppliers to increase its security of supply.

In the case of electricity, the Group is a major user of electricity and the cost of electricity in the UK is subject to significant short term variation. The Group has developed and operates a formal Energy Management Plan in order to minimise the use of power. The Group takes independent professional advice on the purchase of electricity and seeks to enter into long term contracts to reduce the uncertainty about future prices.

Many of the Group’s expenses, particularly those relating to capital equipment and manufacturing overheads, are relatively fixed, making the Group’s results extremely sensitive to volume reductions. The Group seeks to manage this risk by maintaining close relationships with its main customers and by seeking new customers. The Group’s capability in power electronic assemblies is an important aspect of developing and maintaining such close relationships.

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

Although the Group buys some materials in continental Europe, the Far East and North America, the bulk of its costs are incurred in Sterling. However, it sells into world markets with many sales denominated in US dollars and Euros. As a consequence, the Group’s results are affected by changes in exchange rates between these currencies. Management monitors these exposures but does not believe that it would be beneficial to hedge them at the present time. The need to undertake such hedging is reviewed from time to time.

The Group’s future success depends, in part, upon its ability to attract and retain suitably qualified and experienced personnel in engineering, research and development, operations, production management, sales, marketing, finance, IT and general management. The Group seeks to ensure that its remuneration, employee benefits and general terms and conditions. remain competitive to ensure it is able to recruit and retain the people it needs to be competitive.

As part of its manufacturing operations, the Group uses many hazardous chemicals and gases. The Group operates a formal Health and Safety Plan compliant with UK Health and Safety Executive guidance note HSG65 and a formal Environmental Management Plan under ISO 14001 in order to ensure compliance with the relevant laws and regulations and to ensure that the risks to employees, third parties and the environment are minimised.

Financial Instruments & Other Instruments

The Group has an obligation to repay a Hong Kong Dollar loan from CSR Times Electric (Hong Kong) Ltd in 2015. A forward contract has been entered into to fix the Sterling cost of repaying this loan.

Critical Accounting Judgements and Estimates

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Anticipated useful lives of property, plant and equipment

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions and reviews these estimates at the end of each reporting period. At March 31st 2013 the carrying amount of property, plant and equipment was $31.7 million.

Provisions against inventories

Management reviews the condition of inventories at the end of each reporting period and recognises a provision for slow-moving and obsolete items of inventory when they are no longer suitable for use or sale.

Management's estimate of the net realisable value of inventories is based primarily on sales prices in the forward order book and current market conditions.

At March 31st, 2013 the provision against inventories was $4.1 million and the carrying amount of inventories was $11.1 million.

Impairment of trade receivables

Management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of each customer and reviews these estimates at the end of each reporting period. At March 31st, 2013 the provision was $201,000 and the carrying amount of trade receivables was $5.1 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, 2013 the carrying value of provisions was $289,000.

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, 2013, 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 $36,000 in grants during the quarter from the European Union and the UK Government to assist in its research and development activities and grants of $1,000 from the UK Government to purchase equipment.

Outstanding Share Data

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

Related Party Transactions

During the quarter, the Group sold $1.5 million of goods and $401,000 of services to CSR Times Electric, received a contribution towards research and development of $887,000 and purchased materials and components from them for $664,000. The Group also sold $298,000 of goods to a fellow subsidiary of CSR Times Electric and paid $9,000 in interest on a loan from another fellow subsidiary of CSR Times Electric. The Group incurred expenses in the UK of $23,000 on behalf of CSR Times Electric which expenses were reimbursed to the Group.

At March 31st, 2013 the Group was owed $3.4 million for goods and services sold to CSR Times Electric and owed them $553,000 for materials and components purchased from them. In addition, the Group had received an advance payment from CSR Times Electric of $1.1 million towards future research and development expenditure and for technical support for the construction of an 8-inch wafer fabrication facility in China which is reported as part of other payables and accruals. The Group was also owed $222,000 by a fellow subsidiary which is reported under trade receivables.

The Group has a loan of $1.0 million from a fellow subsidiary of CSR Times Electric. At March 31st, 2013 $1.1 million was owed to the fellow subsidiary under the loan and accrued interest.

The Group paid $246,000 in compensation during the quarter to its key management personnel.

The Group purchased services from a law firm in Canada during the quarter for $18,000. At March 31st, 2013, $11,000 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Subsequent Events

The Group's £3 million three year, committed revolving credit facility was due to expire in June 2013. The Group replaced this facility on May 13th, 2013 with a new, £3 million five year term loan facility. At the same time, the bank increased the £1 million overdraft facility to a £3 million facility. The overdraft facility is uncommitted and runs until January 2014. The Group would expect to be able to renew the facility on an annual basis thereafter.

Outlook

Revenue from bipolar discrete products reduced slightly in the first quarter of 2013. It is forecast to rise strongly in the second quarter of 2013 and to remain at a good level during the rest of the year. Overall, revenue for bipolar discrete devices is forecast to be the same or slightly higher in 2013 than it was in 2012.

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

Revenue from the sale of IGBT modules and die declined significantly from the record level reached in the fourth quarter of 2012. A modest recovery in such sales is forecast in each of the next two quarters. For the full year, revenue is forecast to be significantly below that reported in 2012.

Revenue from the sales of power electronic assemblies remained at a similar level in the first quarter of 2013 to that reported in the fourth quarter of last year. It is expected to increase substantially in the coming quarters, so that revenue in 2013 should show significant growth over that reported in 2012.

Revenue from services declined significantly from that reported in the fourth quarter of 2012. That quarter had included one-off services supplied to a customer. Management expects earnings from supplying advice and assistance to CSR Times Electric and other customers to remain similar in each quarter of 2013 to that reported in the first quarter. Overall, revenue from services in 2013 should be similar to that reported in 2012.

Revenue from sales of integrated circuits were similar in the first quarter of 2013 to that reported in the fourth quarter of 2012. A significant sale is expected in the second quarter, so that even if there are no further sales in 2013, revenue for the year will be significantly higher than last year.

At the end of March 2013, the order book stood at $25.0 million, some $4.6 million or 23% higher than at the end of 2012.

Revenue in the first quarter of 2013 was $6.9 million. Quarterly revenue is expected to be significantly higher than this in the second quarter and throughout the rest of the year.

The business made a net loss of $1.1 million in the first quarter of 2013, the first such quarterly loss for six years. A return to quarterly net profits is expected for the second, third and fourth quarters of 2013.

Management expects that revenue in 2013 will be above the levels reported in 2012. Net profit for 2013 is expected to be at or slightly above that reported in 2012.

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 20th, 2013

DYNEX POWER INC.
Condensed Consolidated Statement of Comprehensive Income in Canadian Dollars
Quarter Ended March 31st, 2013

	Note	**3 months Mar 31st 2013**	3 months Mar 31st 2012
		$	$
Revenue	5,6	**6,877,099**	10,522,090
Cost of sales		**(7,125,912)**	(7,888,847)
Gross (loss)/profit		**(248,813)**	2,633,243
Other income	6	**25,618**	22,412
Sales and marketing expenses		**(208,329)**	(230,041)
Administration expenses		**(709,449)**	(950,306)
Research and development expenses	7	**(257,332)**	(287,059)
Finance costs		**(102,532)**	(104,594)
Other gains and (losses)		**96,517**	(51,142)
(Loss)/Profit before Tax	7	**(1,404,320)**	1,032,513
Income tax expense		**300,868**	(273,415)
Net (Loss)/Profit		**(1,103,452)**	759,098
Other Comprehensive (Loss)/Income			
Exchange differences on translation of foreign operations net of tax		**(1,530,711)**	154,629
Total Comprehensive (Loss)/Income for the quarter		**(2,634,163)**	913,727
Loss per share			
Basic	8	**(0.01)**	0.01
Diluted	8	**(0.01)**	0.01

All results are derived from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 20 to 29.

DYNEX POWER INC.
Condensed Consolidated Statement of Financial Position in Canadian Dollars
As at March 31st, 2013

	Note	**Mar 31st 2013** $	Dec 31st 2012 $
NON-CURRENT ASSETS			
Property, plant & equipment	9	**31,685,848**	33,706,294
Derivative financial instruments		**68,223**	2,228
Total non-current assets		**31,754,071**	33,708,522
CURRENT ASSETS			
Inventories		**11,112,556**	10,954,012
Trade receivables	12	**5,063,218**	5,297,728
Amounts owing from parent company	12	**3,401,209**	2,776,110
Prepayments, deposits & other receivables		**903,996**	255,847
Tax recoverable		**120,654**	124,292
Cash		**597,752**	2,206,430
Total current assets		**21,199,385**	21,614,419
CURRENT LIABILITIES			
Trade payables	12	**1,659,605**	1,151,054
Amounts owing to parent company	12	**553,211**	267,349
Other payables and accruals	12	**2,267,541**	3,171,809
Borrowings		**8,040,523**	6,547,631
Provisions		**80,222**	237,548
Total current liabilities		**12,601,102**	11,375,391
NET CURRENT ASSETS		**8,598,283**	10,239,028
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,352,354**	43,947,550

DYNEX POWER INC.
Condensed Consolidated Statement of Financial Position in Canadian Dollars (continued)
As at March 31st, 2013

	Note	Mar 31st 2013 $	Dec 31st 2012 $
NON-CURRENT LIABILITIES			
Borrowings		**4,936,202**	5,512,391
Provisions		**208,583**	212,804
Deferred tax liabilities		**1,559,228**	1,939,851
Total non-current liabilities		**6,704,013**	7,665,046
NET ASSETS		**33,648,341**	36,282,504
EQUITY			
Share capital	10	**37,096,192**	37,096,192
(Accumulated deficit)/retained profit		**(562,531)**	540,921
Exchange fluctuation reserve		**(2,885,320)**	(1,354,609)
		33,648,341	36,282,504

These financial statements should be read in conjunction with the notes set out on pages 20 to 29.

DYNEX POWER INC.
Condensed Consolidated Statement of Changes in Equity in Canadian Dollars
Quarter Ended March 31st, 2013

	Share Capital	Retained Profit/ (Deficit)	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
At January 1st, 2012	37,096,192	(524,615)	(1,917,379)	34,654,198
Total comprehensive income for the period	-	759,098	154,629	913,727
At March 31st, 2012	37,096,192	234,483	(1,762,750)	35,567,925
Total comprehensive income for the period	-	306,438	408,141	714,579
At December 31st, 2012	37,096,192	540,921	(1,354,609)	36,282,504
Total comprehensive income for the period	-	**(1,103,452)**	**(1,530,711)**	**(2,634,163)**
At March 31st, 2013	**37,096,192**	**(562,531)**	**(2,885,320)**	**33,648,341**

These financial statements should be read in conjunction with the notes set out on pages 20 to 29.

DYNEX POWER INC.
Condensed Consolidated Statement of Cash Flows in Canadian Dollars
Quarter Ended March 31st, 2013

	Note	3 months Mar 31st 2013 $	3 Months Mar 31st 2012 $
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(1,404,320)**	1,032,513
Finance costs recognised in (loss)/profit before tax		**102,532**	104,594
Investment income recognised in (loss)/profit before tax		**(91)**	(215)
Depreciation of property, plant & equipment		**834,279**	691,083
Provision for slow moving and obsolete inventory		**68,137**	(179,525)
Movements in working capital	11	**(2,049,198)**	(2,686,366)
Cash used in operating activities before income taxes		**(2,448,661)**	(1,037,916)
Income taxes (paid)/received		**(1,929)**	300,512
Net cash used in operating activities		**(2,450,590)**	(737,404)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		**(477,418)**	(939,219)
Interest received		**91**	215
Net cash used in investing activities		**(477,327)**	(939,004)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**1,837,077**	-
Repayments of borrowings		**(419,889)**	(30,306)
Interest paid		**(79,467)**	(81,722)
Payments for other finance costs		**(15,747)**	(23,053)
Net cash generated by/(used in) financing activities		**1,321,974**	(135,081)
NET DECREASE IN CASH		**(1,605,943)**	(1,811,489)
Cash at beginning of period		**2,206,430**	3,028,599
Effect of foreign currency translation on cash		**(2,735)**	(8,085)
CASH AT END OF PERIOD		**597,752**	1,209,025

All operating cash flows derive from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 20 to 29.

1. CORPORATE INFORMATION

Dynex Power Inc. (the "Company") was formed on June 15th, 1999 under the laws of Canada by the amalgamation of GLG Dynex Power Inc. and Dynex Power Inc. GLG Dynex Power Inc. had been incorporated under the laws of Canada on February 19th, 1996. The former Dynex Power Inc. had been incorporated under the laws of Canada in the name of DPI Technologies Inc. on February 11th, 1998 and changed its name to Dynex Power Inc. on June 4th, 1999.

The registered office of the Company is 515 Legget Drive, Suite 800, Kanata, Ontario, K2K 3G4.

The Company and its subsidiary (collectively the "Group") are engaged in the design and manufacture of industrial power equipment.

The immediate parent company of the Group is Zhuzhou CSR Times Electric Co. Ltd ("CSR Times Electric") and the ultimate parent company of the Group is CSR Group, which are both established in The People's Republic of China. The ultimate controlling party is the Chinese State-owned Asset Supervision and Administration Commission based in Beijing in The People's Republic of China.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements of the Group were prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". Therefore these interim condensed consolidated financial statements do not include all the information and disclosures that are required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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. 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, 2012.

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, 2012 and should be read in conjunction with those statements which are included in the Group's Annual Report for 2012.

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:

IFRS 9 Financial Instruments ("IFRS 9")

As of January 1st, 2015, the Company will be required to adopt IFRS 9, which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1st, 2015. The Company is currently evaluating the impact of these amendments to IFRS 9 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, 2012, except for the adoption of new standards and interpretations as of January 1st, 2013 noted below.

Adoption of new standards and interpretations

At January 1st, 2013 the Group adopted the following standards and interpretations, none of which had any impact on the financial position or performance of the Group:

IAS 28 Investments in Associates and Joint Ventures
IFRS 7 Financial Instruments: Disclosures
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement

Each of these standards and interpretations was described in the Consolidated Financial Statements of the Group for the year ended December 31st, 2012.

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 2013	3 months Mar 31st 2012
	$	$
Canada	**143,100**	160,425
China	**1,867,142**	3,605,717
United Kingdom	**1,576,160**	655,733
France	**881,704**	1,264,236
United States of America	**237,404**	1,624,189
Germany	**237,028**	881,945
Other (None > 10%)	**1,934,561**	2,329,845
	6,877,099	10,522,090

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, 2013, the Group had two customers each accounting for more than 10% of revenue, generating $2,165,104 (CSR Times Electric Group) and $1,563,447 respectively (Mar 31st, 2012 – one customer (CSR Times Electric Group) accounting for more than 10% of revenue, generating $4,487,447).

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 2013	3 months Mar 31st 2012
Revenue:	**$**	$
Sale of goods	**6,429,083**	10,377,177
Rendering of services	**448,016**	144,913
	6,877,099	10,522,090
Other Income:		
Sale of scrap materials	**23,762**	20,946
Bank interest income	**92**	215
Government grants	**1,246**	1,250
Other income	**518**	-
	25,618	22,412

7. PROFIT BEFORE TAX

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

	3 months Mar 31st 2013	3 months Mar 31st 2012
	$	$
Cost of inventories sold	**6,677,896**	7,743,934
Staff costs (including director's remuneration):		
Wages and salaries	**3,343,495**	3,336,723
Other benefits	**137,218**	140,520
Foreign Exchange differences (net)	**(96,517)**	51,142
Depreciation of items of property, plant and equipment		
Manufacturing	**725,298**	640,157
Other	**108,981**	50,926
Research and development expenses (before government grants and contribution from CSR Times Electric)	**1,180,376**	971,040
Contribution from CSR Times Electric	**(887,289)**	(683,981)
Government grants:		
Research and development	**(35,755)**	-
Property, plant and equipment	**(1,246)**	(1,250)
Provision for slow moving and obsolete inventories	**68,137**	(179,525)

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Earnings per share calculations are based on:

	3 months Mar 31st 2013	3 months Mar 31st 2012
	$	$
Earnings:		
Profit attributable to ordinary equity	**(1,103,452)**	759,098
Shares:		
Weighted average number of ordinary shares outstanding during the period used in the basic earnings per share calculation	**80,509,047**	80,509,047
Shares that could be issued on exercise of options	**-**	150,000
Shares that would be repurchased out of proceeds of option exercises	**-**	(116,188)
Weighted average number of ordinary shares outstanding during the period used in the diluted earnings per share calculation	**80,509,047**	80,542,859

For the quarter ended March 31st, 2013, 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 25,000 (Mar 31st, 2012 – nil).

9. PROPERTY, PLANT AND EQUIPMENT

In the quarter ended March 31st, 2013 the Group acquired property, plant and equipment with an aggregate cost of $300,640 (Mar 31st, 2012 - $859,533).

In the quarters ended March 31st, 2013 and March 31st, 2012 the Group disposed of no items of property, plant and equipment.

At March 31st, 2013 the Group has commitments for the purchase of property, plant and equipment of $0.6 million (Dec 31st, 2012 - $0.4 million).

10. SHARE CAPITAL

At March 31st, 2013 there were 80,509,047 common share of the company outstanding (Dec 31st, 2012 – 80,509,047).

11. MOVEMENTS IN WORKING CAPITAL

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

	3 months Mar 31st 2013	3 months Mar 31st 2012
	$	$
(Increase) decrease in inventories	**(727,796)**	14,128
(Increase) in trade receivables	**(1,002)**	(76,473)
(Increase) in prepayments, deposits & other receivables	**(672,381)**	(817,934)
(Increase) in amounts owing from parent company	**(764,961)**	(1,311,906)
Increase in trade payables	**748,471**	423,912
(Decrease) in other payables & accruals	**(791,182)**	(930,129)
Increase (decrease) in provisions	**(144,641)**	62,921
Increase (decrease) in amounts owing to parent company	**304,294**	(50,885)
	(2,049,198)	(2,686,366)

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Group's management regards the members of the board of directors of Dynex Power Inc. and their immediate families, the senior managers of Dynex Semiconductor Limited and their immediate families, its immediate parent company, Zhuzhou CSR Times Electric Co., Ltd, its directors and their immediate families and all of its affiliates as related parties.

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

		3 months Mar 31st 2013	3 months Mar 31st 2012
		$	$
Transactions with CSR Times Electric:			
Sale of goods	(i) (ii)	**1,466,145**	3,426,385
Rendering of services	(iii)	**400,998**	107,531
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	**887,289**	683,981
Reimbursed expenses	(v)	**23,044**	-
Purchases of materials and components	(i) (vi)	**663,858**	450,714
Transactions with fellow group subsidiaries:			
Sale of goods	(viii)	**297,961**	953,541
Interest expense	(ix)	**8,637**	-
Transactions with other parties:			
Non-exective directors fees	(x)	**5,000**	5,000
Legal fees and expenses	(xi)	**18,158**	15,000

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Mar 31st 2013	Dec 31st 2012
		$	$
Balances with CSR Times Electric:			
Amounts owing from parent company	(i) - (v)	**3,401,209**	2,767,521
Amounts owing to parent company	(i) (vi)	**553,211**	267,349
Other payables and accruals	(iii) (iv)	**1,093,064**	1,453,182
Balances with CSR Corporation Ltd			
Amounts owing from parent company	(vii)	**-**	8,589
Balances with fellow group subsidiaries:			
Trade receivables	(viii)	**222,282**	295,526
Borrowings	(ix)	**1,047,985**	1,027,566
Other payables and accruals	(ix)	**10,549**	2,196
Balances with other parties:			
Other payables and accruals	(x)	**5,000**	10,000
Trade payables	(xi)	**5,650**	5,650
Other payables and accruals	(xi)	**5,200**	5,200

(i) CSR Times Electric is the Group's main distributor for high power semiconductors in The People's Republic of China and the Group is CSR Times Electric's main distributor for high power semiconductors in Europe. 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. Under the new agreement it is estimated that the costs for the project will be C$ 2.8 million over a three year period commencing from January 2011. CSR Times Electric paid in advance 20% of their contribution.

(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 the new agreement it is estimated that the costs of the joint research and development will be C$12.5 million over a 40 month period, and it is agreed that CSR Times Electric will provide funding of 80% of the costs and the Group will contribute 20%. CSR Times Electric paid in advance 25% of their contribution.

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

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

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

(xi) The Company retains a business law firm in Canada to provide legal services and advice. One of the Company's directors is a partner of this firm.

Advances to and from the parent company are recorded at fair value. The directors' fees and other related party amounts are recorded at the negotiated amounts. All amounts due to and from related parties are recorded as current liabilities and current assets since they are due upon demand or on the basis of normal creditor terms.

13. SUBSEQUENT EVENTS

The Group's £3 million three year, committed revolving credit facility was due to expire in June 2013. The Group replaced this facility on May 13th, 2013 with a new, £3 million five year term loan facility. At the same time, the bank increased the £1 million overdraft facility to a £3 million facility. The overdraft facility is uncommitted and runs until January 2014. The Group would expect to be able to renew the facility on an annual basis thereafter.

14. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the board of directors of Dynex Power Inc. on May 20th, 2013.

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

Senior Officers, VP's & Senior Managers

Paul Taylor
President & CEO

Bob Lockwood
VP Finance, CFO & Co. Secretary

Liu Guoyou
Research & Development Director

Mark Kempton
Operations Director

George Guo
Sales & Marketing Director

Bill McGhie
Power Electronic Assemblies Business Manager

Debra Clipson
Human Resources Manager

Stock Exchange Listing

Toronto Ventures Exchange
Symbol: DNX

Auditors

Canada – Deloitte LLP
UK – Deloitte LLP

Legal Counsel

LaBarge Weinstein Professional Corporation
Ottawa, Ontario

Transfer Agent

Computershare Trust Company of Canada

Dynex Locations

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