DYNEX POWER INC.

REPORT FOR THE QUARTER ENDED SEPTEMBER 30TH 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
- 335 employees (September 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

Dynex financial results for the third quarter of 2013 did not reach management's expectations. Although revenue improved over the same period last year and was significantly better than the first quarter of this year, it was slightly below the level seen in second quarter, and more significantly failed to deliver an acceptable level of gross margin resulting in a net loss.

As indicated in the last President's letter, management expected the revenue would be similar or slightly below that seen in second quarter. Although this was correct, the gross margin fell below expectation, and the cause for that needs to be understood.

For Dynex's semiconductor manufacturing activities, there is a relatively high level of fixed costs in the business. Consequently the gross margin responds quickly to the volume of production and therefore the overall level of revenue. During the current quarter, we saw a fall in the revenue resulting from bipolar, ICs and IGBT die products but an increase in the revenue from power electronic assemblies. This change in product mix resulted in a lower than anticipated recovery of the fixed costs of the semiconductor device fabrication lines, particularly IGBT. This, coupled with market pressures to reduce selling prices for power electronic assemblies, eroded the overall gross profit margins.

As reported last quarter, our order book was strong and that had given confidence in the likely outlook for the current quarter. However, a number of factors conspired against us.

Firstly, a number of customers continued to react in a cautious manner to their economic climate. This resulted in a push back in their requirements as well as them exerting pressure on product pricing. This had a negative impact on the bipolar and power electronic assembly product revenues.

Secondly, Dynex IGBT revenue is sensitive to demand from China, particularly for the railway sector. As mentioned in previous reports, there had been a temporary decline in the demand from the China rail sector, our main customer had excess product stocks and the uptake of the newly developed Dynex IGBT products into that application had been slower than anticipated. This situation continued the current quarter whereas we had anticipated a faster recovery.

The net result of these factors explained the poor gross margins and the resultant net loss in the current quarter.

Although management are cautious about predicting the outlook for the coming period, we are pleased to report that, despite their caution, our customers have continued to place new supply contracts with Dynex. As a result our order book, usually a good indicator of future trends in revenue, has continued to grow. Our order book at the end of September was $30.5 million, 36% higher than at the previous quarter, and 50% higher than at the end of last year.

This strong order book gives management confidence that our markets are recovering, that customers consider our products and services competitive, and that we should continue to follow our strategy to invest in new facilities, people and technology, and in that way continue to prepare for growth.

We remain naturally cautious about the exact timing of our recovery, but our expectation is that the fourth quarter will deliver higher revenue than this quarter, with a corresponding improvement in profitability. However the net result for the full year will be revenue at or slightly below that reported in 2013 and consequently management now expects to report a net loss in 2013.

Looking further ahead, the IGBT demand in China is showing signs of becoming particularly strong with renewed confidence in the railway sector for both metro and locomotive applications. Furthermore, we are seeing growing opportunity over the coming year in both China and Europe for HVDC applications which will favourably impact on sales of IGBT modules, bipolar thyristors and power electronic assemblies.

We recognise that these results will be disappointing, but be assured that we are taking action to mitigate the magnitude of any loss, and to ensure that we recover quickly, whilst preserving the health of the business and its ability to respond to the anticipated upturn. We are also confident that this is not a trend but a glitch that will soon be passed.

As ever, however, we are very grateful for your loyal support in sustaining your investment in Dynex alongside that of our major shareholder CSR Times Electric.

PDTaylor

Paul Taylor
President and Chief Executive Officer
November 21st, 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 September 30th, 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 July to September 2013	C$1.6129
Average rate January to September 2013	C$1.5840
Average rate July to September 2012	C$1.5877
Average rate January to September 2012	C$1.5877
Rate at September 30th, 2013	C$1.6534
Rate at December 31st, 2012	C$1.6085

As illustrated, the Canadian Dollar rates against Sterling for the third quarter and the year to date of 2013 were similar to the rates in the third quarter and year to date of 2012. Consequently, exchange rate movements had little impact on reported revenue and expenditure in the quarter or year to date.

The Canadian Dollar rate against Sterling at September 30th, 2013 was approximately 3% weaker than the rate at December 31st, 2012. Here again, the change in rates did not have a significant impact.

Review of Operating Results

Objective

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

Overview

Revenue in the third quarter was slightly below that reported in the second quarter. However, the much tighter margins on current business resulted in a weak gross margin and a net loss for the quarter.

The Company's booking to billing ratio for the quarter was 1.69, giving a booking to billing ratio for the year to date of 1.29. The level of bookings in the third quarter was encouraging and supports management's view that the Group's markets are at last recovering after the recession..

Revenue

Revenue for the third quarter of 2013 was $9.5 million, $216,000 or 2.3% higher than in the corresponding quarter of last year. The change comprised a major reduction in sales of power modules and die and smaller reductions in bipolar and integrated circuits offset by major increases in sales of power assemblies services. The reduction in revenues from power modules and die reflected a continuing slowdown in orders for Chinese railways and overstocking of parts by our parent company.

For the year to date, revenue was $26.4 million, $3.3 million or 11.2% lower than in the corresponding period of last year. The change comprised a major reduction in sales of power modules and die and a smaller reduction in bipolar sales, partially offset by a major increase in power assembly and integrated circuit sales and a smaller increase in service revenues.

Gross Margin

The gross margin was 1.2% of revenue in the third quarter of 2013 compared to a gross margin of 15.7% of revenue in the third quarter of 2012. The gross margin was significantly below the range targeted by management and a shift in the quarter to lower margin products and a level of revenue below that expected by management.

For the year to date, the gross margin was 6.8% compared to 19.1% in the corresponding period of last year. The level in 2013 is significantly below the level targeted by management and reflects a shift to lower margin products and a disappointing level of revenue.

Other Income

Other income for the quarter consists primarily of the sale of scrap materials. The figures for the current quarter and year to date and for the corresponding quarter and year to date of last year are not considered material.

Sales and Marketing and Admin Expenses

Management's aim is to reduce the combined sales and marketing and administration expenses as a percentage of revenue through improved efficiency. Such expenses were 9.6% of revenue in the third quarter of 2013 compared to 9.6% in the corresponding quarter of last year.

For the year to date, sales and marketing and administrative expenses were 10.4% compared to 10.2% in the corresponding period of last year. The small rise was a result of the poor revenue figure in the current year to date.

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 third quarter of 2013 was $363,000. This was $157,000 or 76% higher 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 14.3% of revenue in the third quarter compared to 11.8% of revenue in the corresponding quarter of last year.

For the year to date, gross research and development expenditure increased to 14.2% from 10.5% of revenue in the corresponding period of 2012.The increase in part reflected the poor revenue figure in 2013, but there had also been an significant 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 $99,000, compared to $80,000 in the corresponding quarter of last year. The increase arises from higher borrowings.

For the year to date, finance costs were $379,000 compared to $253,000 in the corresponding period of last year. The increase reflects higher borrowing levels and some one-off costs incurred in the second quarter relating to the renegotiation of borrowing facilities.

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.

Profit/Loss before Tax

The Group reported a loss before tax in the quarter of $1.3 million compared with a profit before tax of $166,000 in the corresponding quarter of last year.

For the year to date, a net loss before tax of $2.0 million was recorded compared to a net profit before tax of $1.4 million or 4.8% of revenue in the corresponding period of last year. The decline reflected the poor revenue figure for the year to date and a shift to lower margin products.

Income Tax Expense

The Group recorded a tax release in the quarter equivalent to 34.0% of the loss before tax compared with a rate of 34.4% in the corresponding quarter of last year. The tax charge is affected by changes in the estimation of the tax charge that will be applied for the full year and so tax expense is better considered in the year to date figures discussed below rather than figures for the quarter.

For the year to date, the tax release of $654,000 represents 31.6% of the loss before tax in 2013 compared to a charge of $415,000 which represented a tax rate of 29.1% in the corresponding period of last year.

Net Profit/ Loss

The Group reported a net loss of $840,000 in the third quarter of 2013 compared to a net profit of $109,000 in the corresponding quarter of last year.

For the year to date, the Group reported a net loss $1.4 million compared to a net profit of $1.0 million in the corresponding period 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, stood at $33.7 million at the end of 2012 and remained at $33.7 million at the end of the third quarter.

Working Capital

The Group aims to optimise the ratio of assets invested in working capital (current assets less cash less trade payables, other payables and accruals, provisions, amounts owing to parent company and deferred tax liabilities) compared to the revenue of the business.

At the end of September 2013, working capital stood at $17.0 million or 1.78 times third quarter revenue compared to $12.4 million or 1.25 times quarter four revenue at the end of December 2012. The increase reflected a $2.4 million increase in inventories, a $2.1 million increase in trade receivables and a $623,000 decrease in deferred tax. The increase in inventories arises from customers pushing back the delivery dates on orders which have already been manufactured or which are already in work in progress. The increase in trade receivables reflects the granting of longer credit terms in order to secure orders in the current, tough environment.

Net Debt

At the end of September 2013, the Group had net debt (borrowings less cash) of $14.9 million. At the end of December 2012, it had net debt of $9.9 million. The change reflects the loss made in the year to date together with the increases in working capital referred to above. partially offset by the excess of depreciation over payments made for new property, plant and equipment..

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

Equity

Equity decreased by $483,000 since the end of the preceding year. The decrease resulted from the net loss of $$1.4 million and an exchange gain on translation of the UK subsidiary of $933,000.

Gearing

Management monitors closely the Group's gearing ratio (the ratio of net debt, being borrowings less cash balances, to equity). At the end of September 2013, the Group had a gearing ratio of 41.6%. 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 borrowing 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 September 2013, the Group's $5.0 million committed borrowing facility was fully drawn. The Group also has a $4.9 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 $326,000. The Group also maintains a $5.0 million overdraft facility to provide access to additional funds and to help with its day-to-day cash management. This facility is, however, not a committed facility. At the end of the quarter, $4.0 million was drawn under this facility. and the Group had $940,000 of cash. At the quarter end, net debt was equivalent to approximately 133% of the committed facilities available to the Group.

Cash Flow

There was an outflow of $2.4 million from operating activities in the year to date. The main constituents of the cash outflow were the loss before tax of $2.0 million and an increase in working capital of $3.6 million offset by depreciation of $2.6 million.

Commitments

The Group has capital commitments at the quarter end of $1.1 million 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 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2012 FY	2011 FY	2010 FY
Revenue	9,523	9,959	6,877	9,930	9,307	9,856	10,522	9,633	39,615	36,082	36,161
Gross Profit	114	1,934	(249)	1,067	1,462	1,569	2,633	2,209	6,732	8,616	6,893
Gross profit %	1.2%	19.4%	(3.6%)	10.7%	15.7%	15.9%	25.0%	22.9%	17.0%	23.9%	19.1%
Gross R&D %	14.3%	12.0%	17.2%	10.9%	11.8%	10.7%	9.2%	9.9%	10.6%	10.2%	4.3%
Profit before Tax	(1,274)	608	(1,404)	(192)	166	226	1,033	729	1,233	3,458	1,994
Net Profit	(840)	527	(1,103)	55	109	142	759	724	1,066	2,710	1,345
Earnings per Share											
Basic	(0.01)	0.01	(0.01)	0.00	0.00	0.00	0.01	0.01	0.01	0.03	0.02
Diluted	(0.01)	0.01	(0.01)	0.00	0.00	0.00	0.01	0.01	0.01	0.03	0.02
Property, plant, equipm't	33,741	33,072	31,686	33,709	33,476	32,465	30,931	30,624	33,706	30,624	22,493
Working capital	16,965	14,810	14,273	12,428	13,525	12,533	13,194	10,754	12,428	10,754	6,321
Net(debt)/cash	(14,907)	(12,470)	(12,311)	(9,854)	(11,101)	(9,004)	(8,557)	(6,724)	(9,854)	(6,724)	2,629
Equity	35,799	35,412	33,648	36,283	35,900	35,994	35,568	34,654	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 figures have been prepared in accordance with IFRS. Quarterly figures have not been audited except for balance sheet figures for each of the fourth quarters. The figures for the financial years 2010, 2011 and 2012 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 has remained steady throughout the period apart from 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 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 was in line with management expectations in the fourth quarter of 2011 and the first quarter of 2012. The gross profit percentage in the rest of 2012 and the first quarter of 2013 reflected the cost 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. The gross profit percentage recovered significantly in the second quarter of 2013 due to an increase in revenue and a favourable product mix. The gross profit percentage declined in the third quarter of 2013 as a result of the continuing competitive market place and a revenue figure less than had been expected.

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 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. 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 a half and four months revenue. In 2013 they have risen further and currently stand at over 5 months revenue. The increase reflects the fact that an increasing amount of the Group's revenue is now coming from customers in areas where credit terms are generally longer and payment of receivables is not as prompt and from the increase in inventories associated with the two new IGBT wafer fabrication lines. The level of working capital in the third quarter of 2012 and the first quarter of 2013 was higher than trend due to the poor revenue figures reported in those quarters. The figure in the third quarter of 2013 is also higher than trend because of customers pushing back delivery dates on orders for which raw materials have been purchased and in some cases manufacture is already well advanced.

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. Completion of the expansion project and the purchase of the freehold of the Doddington Road site resulted in net debt of around $9 million. Continuing capital investment and increases in working capital have resulted in the level of net debt increasing since then.

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 September 30th, 2013 the carrying amount of property, plant and equipment was $33.7 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 September 30th, 2013 the provision against inventories was $4.5 million and the carrying amount of inventories was $13.4 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 September 30th, 2013 the provision was $216,000 and the carrying amount of trade receivables was $7.4 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 September 30th, 2013 the carrying value of provisions was $310,000.

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 September 30th, 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 $40,000 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 $1.2 million of goods and $391,000 of services to CSR Times Electric, received a contribution towards research and development of $955,000 and purchased materials and components from them for $846,000. The Group also sold $534,000 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 $5,000 on behalf of CSR Times Electric which expenses were reimbursed to the Group. The Group also provided services of $101,000 to a parent company of CSR Times Electric.

During the year to date, the Group sold $4.5 million of goods and $1.2 million of services to CSR Times Electric, received a contribution towards research and development of $2.7 million and purchased materials and components from them for $2.4 million. The Group also sold $1.8 million of goods to a fellow subsidiary of CSR Times Electric and paid $26,000 in interest on a loan from another fellow subsidiary of CSR Times Electric. The Group incurred expenses in the UK of $140,000 on behalf of CSR Times Electric which expenses were reimbursed to the Group. The Group also provided services of $101,000 to a parent company of CSR Times Electric.

At September 30th, 2013 the Group was owed $2.2 million for goods and services sold to CSR Times Electric and owed them $565,000 for materials and components purchased from them. In addition, the Group had received an advance payment from CSR Times Electric of $541,000 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 $415,000 by a fellow subsidiary which is reported under trade receivables.

The Group has a loan of $1.1 million from a fellow subsidiary of CSR Times Electric. At September 30th, 2013 $1.1 million was owed to the fellow subsidiary under the loan and accrued interest.

A parent company of CSR Times Electric owed the Group $24,000 for services provided to them.

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

Outlook

Revenue from bipolar discrete products decreased slightly in the third quarter of 2013. It is forecast to rise significantly in the fourth quarter of 2013. Bipolar revenue in 2013 should be similar to that reported 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 decreased slightly in the third quarter of 2013. It is forecast to rise significantly in the fourth quarter of 2013. However, IGBT and die revenue will be substantially lower in 2013 than it was in 2012.

Revenue from the sales of power electronic assemblies showed a significant increase in the third quarter. It is expected to show a further small increase in the fourth quarter. Revenue in 2013 should show significant growth over that reported in 2012.

Revenue from services remained steady in the third quarter but may decline slightly in the fourth quarter. Overall, revenue from services in 2013 should be slightly higher than that reported in 2012.

Revenue from sales of integrated circuits declined significantly in the third quarter of 2013. Revenue is expected to be higher in the fourth quarter so that overall revenue from integrated circuits in 2013 will exceed such revenues in 2012 by a significant amount.

At the end of September 2013, the order book stood at $30.5 million, the highest level for several years.

Revenue in the third quarter of 2013 was $9.5 million. Quarterly revenue is expected to be significantly higher in the fourth quarter.

The business made a net loss of $840,000 in the third quarter of 2013The business is expected to return to profitability in the fourth quarter.

Management now expects that revenue in 2013 will be at or slightly below the levels reported in 2012. Management now expects to make a small loss in 2013 compared to a small profit made 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
November 21st, 2013

DYNEX POWER INC.
Condensed Consolidated Statement of Comprehensive Income (unaudited) in Canadian Dollars
Quarter Ended September 30th, 2013

	Note	**3 months Sept 30th 2013**	3 months Sept 30th 2012	**YTD Sept 30th 2013**	YTD Sept 30th 2012
		$	$	**$**	$
Revenue	5,6	**9,522,616**	9,306,519	**26,358,766**	29,684,501
Cost of sales		**(9,408,468)**	(7,844,341)	**(24,559,706)**	(24,019,942)
Gross profit		**114,148**	1,462,178	**1,799,060**	5,664,559
Other income	6	**11,602**	28,320	**69,236**	60,012
Sales and marketing expenses		**(226,885)**	(218,153)	**(679,343)**	(653,822)
Administration expenses		**(682,873)**	(677,611)	**(2,065,246)**	(2,366,070)
Research and development expenses	7	**(362,957)**	(206,158)	**(913,934)**	(814,486)
Finance costs		**(99,463)**	(80,055)	**(379,328)**	(253,493)
Other gains and (losses)		**(27,562)**	(142,046)	**99,186**	(212,130)
(Loss)/profit before tax	7	**(1,273,990)**	166,475	**(2,070,369)**	1,424,570
Income tax (expense)/recovery		**433,699**	(57,299)	**653,576**	(414,513)
Net(Loss)/profit		**(840,291)**	109,176	**(1,416,793)**	1,010,057
Other Comprehensive Income/(Loss)					
Exchange differences on translation of foreign operations (net of tax of $nil)		**1,227,483**	(203,786)	**933,365**	235,518
Total Comprehensive Income/(Loss) for the year		**387,192**	(94,610)	**(483,428)**	1,245,575
Earnings/(Loss) per share					
Basic	8	**(0.01)**	-	**(0.02)**	0.01
Diluted	8	**(0.01)**	-	**(0.02)**	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 30.

DYNEX POWER INC.
Condensed Consolidated Statement of Financial Position (unaudited) in Canadian Dollars
As at September 30th, 2013

	Note	**Sept 30th 2013** $	Dec 31st 2012 $
NON-CURRENT ASSETS			
Property, plant & equipment	9	**33,740,962**	33,706,294
Derivative financial instruments		**11,932**	2,228
Total non-current assets		**33,752,894**	33,708,522
CURRENT ASSETS			
Inventories		**13,392,707**	10,954,012
Trade receivables	13	**7,427,190**	5,297,728
Amounts owing from parent company	13	**2,226,412**	2,776,110
Prepayments, deposits & other receivables		**756,358**	255,847
Tax recoverable		**130,795**	124,292
Cash		**568,765**	2,206,430
Total current assets		**24,502,227**	21,614,419
CURRENT LIABILITIES			
Trade payables		**2,814,755**	1,151,054
Amounts owing to parent company	13	**564,687**	267,349
Other payables and accruals	13	**1,962,058**	3,171,809
Borrowings	10	**5,633,593**	6,547,631
Provisions		**86,298**	237,548
Total current liabilities		**11,061,391**	11,375,391
NET CURRENT ASSETS		**13,440,836**	10,239,028
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,193,730**	43,947,550

DYNEX POWER INC.
Condensed Consolidated Statement of Financial Position (Unaudited) in Canadian Dollars (continued)
As at September 30th, 2013

	Note	**Sept 30th 2013**	Dec 31st 2012
		$	$
NON-CURRENT LIABILITIES			
Borrowings	10	**9,853,889**	5,512,391
Provisions		**223,703**	212,804
Deferred tax liabilities		**1,317,062**	1,939,851
Total non-current liabilities		**11,394,654**	7,665,046
NET ASSETS		**35,799,076**	36,282,504
EQUITY			
Share capital	11	**37,096,192**	37,096,192
(Accumulated deficit)/retained profit		**(875,872)**	540,921
Exchange fluctuation reserve		**(421,244)**	(1,354,609)
		35,799,076	36,282,504

These financial statements should be read in conjunction with the notes set out on pages 20 to 30.

DYNEX POWER INC.
Condensed Consolidated Statement of Changes in Equity (unaudited) in Canadian Dollars
Quarter Ended September 30th, 2013

	Share Capital	Retained Profit/ (Accumulated 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	-	1,010,057	235,518	1,245,575
At September 30th, 2012	37,096,192	485,442	(1,681,861)	35,899,773
Total comprehensive income for the period	-	55,479	327,252	382,731
At December 31st, 2012	37,096,192	540,921	(1,354,609)	36,282,504
Total comprehensive income for the period	-	**(1,416,793)**	**933,365**	**(483,428)**
At September 30th, 2013	**37,096,192**	**(875,872)**	**(421,244)**	**35,799,076**

These financial statements should be read in conjunction with the notes set out on pages 20 to 30.

DYNEX POWER INC.
Condensed Consolidated Statement of Cash Flows (unaudited) in Canadian Dollars
Quarter Ended September 30th, 2013

	Note	**YTD Sept 30th 2013 $**	YTD Sept 30th 2012 $
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		**(2,070,369)**	1,424,570
Finance costs recognised in (loss)/profit before tax		**379,328**	253,493
Investment income recognised in (loss)/profit before tax		**(174)**	(373)
Depreciation of property, plant & equipment		**2,565,540**	2,157,369
Loss on disposal of property, plant & equipment		**1,506**	24,070
Provision for slow moving and obsolete inventory		**321,774**	(350,143)
Movements in working capital	12	**(3,563,622)**	(2,903,101)
Cash used in operating activities before income taxes		**(2,366,017)**	605,885
Income taxes (paid)/received		**(3,919)**	174,868
Net cash (used in)/generated by operating activities		**(2,369,936)**	780,753
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment		**(1,842,064)**	(4,822,781)
Interest received		**174**	373
Net cash used in investing activities		**(1,841,890)**	(4,822,408)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**9,214,438**	2,858,323
Repayments of borrowings		**(6,257,514)**	(665,316)
Interest paid		**(257,133)**	(222,455)
Payments for other finance costs		**(94,167)**	(30,359)
Net cash generated by financing activities		**2,605,624**	1,940,193
NET DECREASE IN CASH		**(1,606,202)**	(2,101,462)
Cash at beginning of period		**2,206,430**	3,028,599
Effect of foreign currency translation on cash		**(31,463)**	(11,523)
CASH AT END OF PERIOD		**568,765**	915,614

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 30.

1. CORPORATE INFORMATION

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

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

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

The immediate parent company of the Group 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. Any changes in estimates will be treated prospectively in the period in which they change. Details of the Group's key judgements and estimates are disclosed in Note 5 of the Group's consolidated financial statements for the year ended December 31st, 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 revisions to the following 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 the revised 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 revised 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. The revisions to IFRS 9 are 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 Sept 30th 2013	3 months Sept 30th 2012	**YTD Sept 30th 2013**	YTD Sept 30th 2012
	$	$	**$**	$
Canada	**-**	305,288	**147,570**	465,713
United Kingdom	**3,486,182**	917,854	**7,144,242**	2,050,622
China	**1,711,748**	3,941,729	**5,833,839**	10,956,087
France	**913,180**	855,920	**3,523,893**	3,132,465
United States of America	**540,560**	738,877	**1,719,183**	3,321,835
Germany	**179,304**	505,609	**788,929**	2,914,848
Other (None > 10%)	**2,691,642**	2,041,242	**7,201,110**	6,842,931
	9,522,616	9,306,519	**26,358,766**	29,684,501

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 September 30th, 2013 the Group had two customers each accounting for more than 10% of revenue, generating $3,021,973 and $2,219,631 (CSR Times Electric Group) respectively (Sept 30th, 2012 – one customer accounting for more than 10% of revenue, generating $3,877,421 (CSR Times Electric Group)).

In the nine months ended September 30th, 2013 the Group had two customers each accounting for more than 10% of revenue, generating $7,504,880 (CSR Times Electric Group) and $6,353,310 respectively (Sept 30th, 2012 – one customer accounting for more than 10% of revenue, generating $13,267,621 (CSR Times Electric Group)).

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 Sept 30th 2013	3 months Sept 30th 2012	**YTD Sept 30th 2013**	YTD Sept 30th 2012
Revenue:	**$**	$	**$**	$
Sale of goods	**8,710,469**	8,883,440	**24,710,325**	28,782,438
Rendering of services	**812,147**	423,079	**1,648,441**	902,063
	9,522,616	9,306,519	**26,358,766**	29,684,501
Other Income:				
Sale of scrap materials	**9,376**	27,029	**62,890**	55,862
Bank interest income	**-**	32	**175**	373
Government grants	**1,279**	1,259	**3,769**	3,777
Other income	**947**	-	**2,402**	-
	11,602	28,320	**69,236**	60,012

7. PROFIT BEFORE TAX

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

	3 months Sept 30th 2013	3 months Sept 30th 2012	**YTD Sept 30th 2013**	YTD Sept 30th 2012
			$	$
Cost of inventories sold	**8,596,321**	7,863,675	**22,911,265**	23,117,880
Staff costs (including director's remuneration):				
Wages and salaries	**3,615,818**	3,301,036	**10,342,107**	9,919,789
Other benefits	**151,491**	140,499	**432,140**	417,657
Foreign Exchange differences (net)	**27,562**	117,976	**(100,692)**	188,060
Depreciation of items of property, plant and equipment				
Manufacturing	**771,186**	690,654	**2,230,592**	2,003,774
Other	**115,735**	54,350	**334,948**	153,595
Research and development expenses (before government grants and contribution from CSR Times Electric)	**1,358,068**	1,099,960	**3,733,134**	3,122,164
Contribution from CSR Times Electric	**(954,837)**	(821,865)	**(2,717,782)**	(2,235,741)
Government grants:				
Research and development	**(40,274)**	(71,937)	**(101,418)**	(71,937)
Property plant and equipment	**(1,279)**	(1,259)	**(3,769)**	(3,777)
Provision for slow moving and obsolete inventories	**56,210**	7,815	**321,774**	(350,143)

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Earnings per share calculations are based on:

	3 months Sept 30th 2013	3 months Sept 30th 2012	**YTD Sept 30th 2013**	YTD Sept 30th 2012
	$	$	**$**	$
Earnings:				
Profit/(loss) attributable to ordinary equity holders used in both basic and diluted earnings per share calculations	**(840,291)**	109,176	**(1,416,793)**	1,010,057
Shares:				
Weighted average number of ordinary shares outstanding during the period used both basic and diluted earnings per share calculations	**80,509,047**	80,509,047	**80,509,047**	80,509,047

For the quarter ended September 30th, 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 nil (Sept 30th, 2012 – 150,000).

9. PROPERTY, PLANT AND EQUIPMENT

In the quarter ended September 30th, 2013 the Group acquired property, plant and equipment with an aggregate cost of $362,404 (Sept 30th, 2012 - $1,968,535). In the nine months ended September 30th, 2013 the Group acquired property, plant and equipment with an aggregate cost of $1,692,130 (Sept 30th, 2012 - $4,821,226).

In the quarter ended September 30th, 2013 the Group disposed of property, plant and equipment with an aggregate carrying amount of $nil (Sept 30th, 2012 - $24,070) which resulted in a net loss of $nil (Sept 30th, 2012 - $24,070) included in other gains and losses in comprehensive income. In the nine months ended September 30th, 2013 the Group disposed of property, plant and equipment with an aggregate carrying amount of $1,506 (Sept 30th, 2012 - $24,070) which resulted in a net loss of $1,506 (Sept 30th, 2012 - $24,070) included in other gains and losses in comprehensive income.

At September 30th, 2013 the Group has commitments for the purchase of property, plant and equipment of $1.1 million (Dec 31st, 2012 - $0.4 million).

10. BORROWINGS

	Note	Sept 30th 2013	Dec 31st 2012
		$	$
Secured at amortised cost:			
Bank overdrafts		**3,641,722**	-
Bank loans		**10,524,301**	10,796,252
Finance lease		**136,500**	236,204
		14,302,523	11,032,456
Unsecured at amortised cost:			
Other loans	13	**1,184,959**	1,027,566
		15,487,482	12,060,022
Current portion		**5,633,593**	6,547,631
Non-current portion		**9,853,889**	5,512,391
		15,487,482	12,060,022

(i) The Group had a bank loan for $nil (Dec 31st, 2012 - $4,825,500) under a three year revolving credit facility which expired in May 2013. The loan was fully repaid on May 13th 2013 when this facility was replaced by a new five year term loan facility. Under the new facility the Group has a bank loan of $4,960,200 (Dec 31st, 2012 - $nil) which is repayable in four equal six-monthly repayments between October 2016 and April 2018. The current loan bears interest, and the loan it replaced bore interest, at UK base rate plus 2.25% giving an effective interest rate of 2.75%. The current facility is, and the facility it replaced was, secured by a first charge on property, plant and equipment (excluding the freehold land & buildings and equipment under leases and chattel mortgages) and current assets. At September 30th, 2013 these assets have a carrying value of $49,872,300 (Dec 31st, 2012 - $46,642,975).

(ii) The Group has a bank loan for $654,164 (Dec 31st, 2012 - $nil) which was received on September 19th, 2013. The loan bears interest at an effective interest rate of 4.3% per annum and is repayable in monthly instalments between October 2013 and September 2017. The loan is secured by a chattels mortgage on equipment with a carrying value of $694,511 (Dec 31st 2013 - $nil)

(iii) The Group has a bank overdraft of $3,641,722 (Dec 31st, 2012 - $nil) under an approved overdraft facility of $4,960,200 (Dec 31st, 2012 - $1,608,500) which is repayable on demand. The overdraft bears interest at UK base rate plus 2.32% on balances up to the approved overdraft limit and at the bank's standard interest rate on balances over the approved limit. The overdraft facility is secured under the same charge as in (i) above.

(iv) The Group has a loan for $4,909,937 (Dec 31st, 2012 - $5,970,752). The loan bears interest at LIBOR plus 2.30% and is repayable in quarterly instalments between February 2013 and August 2016. The loan is secured by a fixed charge on the freehold land and buildings which have a carrying value of $7,502,440 (Dec 31st, 2012- $7,386,359).

(v) The finance leases are secured by the equipment leased which has a carrying value of $185,871 (Dec 31st, 2012 - $238,309).

(vi) The Group has an unsecured loan from a fellow subsidiary of CSR Times Electric for $1,065,893 (Dec 31st, 2012 - $1,027,566). The loan bears interest at 3.25% and is repayable on September 7th, 2015 (Note 13).

10. BORROWINGS (continued)

(vii) The Group has an unsecured loan for $119,066 (Dec 31st, 2012 - $nil) which is repayable in ten equal monthly instalments between March 2013 and December 2013.

11. SHARE CAPITAL

At September 30th, 2013 there were 80,509,047 common shares of the company outstanding (Dec 31st, 2012 – 80,509,047).

12. MOVEMENTS IN WORKING CAPITAL

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

	YTD Sept 30th 2013	YTD Sept 30th 2012
	$	$
(Increase) in inventories	**(2,358,334)**	(452,165)
(Increase) in trade receivables	**(1,899,960)**	(53,484)
(Increase) in prepayments, deposits & other receivables	**(469,013)**	(621,423)
Decrease (increase) in amounts owing from parent company	**609,271**	(1,751,139)
Increase in trade payables	**1,697,134**	411,887
(Decrease) in other payables & accruals	**(1,271,066)**	(508,203)
(Decrease) increase in provisions	**(145,353)**	54,891
Increase in amounts owing to parent company	**273,699**	16,535
	(3,563,622)	(2,903,101)

13. 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 Sept 30th 2013	3 months Sept 30th 2012	**YTD Sept 30th 2013**	YTD Sept 30th 2012
		$	$	**$**	$
Transactions with CSR Times Electric:					
Sale of goods	(i) (ii)	**1,194,521**	2,910,598	**4,481,462**	10,164,211
Rendering of services	(iii)	**390,817**	402,463	**1,166,604**	815,162
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	**954,837**	821,865	**2,717,782**	2,235,741
Reimbursed expenses	(v)	**4,801**	-	**139,993**	-
Purchases of materials and components	(i) (vi)	**845,822**	547,334	**2,398,380**	1,498,346
Transactions with CSR Corporation Ltd:					
Rendering of services	(vii)	**100,613**	-	**100,613**	-
Transactions with fellow group subsidiaries:					
Sale of goods	(viii)	**533,680**	564,360	**1,756,201**	2,288,248
Interest expense	(ix)	**8,934**	-	**26,164**	-
Transactions with other parties:					
Non-exective directors fees	(x)	**5,000**	5,000	**15,000**	15,000
Legal fees and expenses	(xi)	**15,020**	15,690	**54,174**	51,603

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		Sept 30th 2013	Dec 31st 2012
		$	$
Balances with CSR Times Electric:			
Amounts owing from parent company	(i) - (v)	**2,201,981**	2,767,521
Amounts owing to parent company	(i) (vi)	**564,687**	267,349
Other payables and accruals	(iii) (iv)	**541,216**	1,453,182
Balances with CSR Corporation Ltd			
Amounts owing from parent company	(vii)	**24,431**	8,589
Balances with fellow group subsidiaries:			
Trade receivables	(viii)	**415,045**	295,526
Borrowings	(ix)	**1,065,893**	1,027,566
Other payables and accruals	(ix)	**28,187**	2,196
Balances with other parties:			
Other payables and accruals	(x)	**5,000**	10,000
Trade payables	(xi)	**-**	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 management training course to CSR Corporation Ltd, a subsidiary of the ultimate parent company of CSR Times Electric.

13. 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.

14. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the board of directors of Dynex Power Inc. November 21st, 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

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