DYNETEK REPORTS 2007 FIRST QUARTER RESULTS

- **Record Q1 cylinder and system sales and total revenues**
- **Net income of $167,000**
- **Cash flow from operations of $2.1 million**

Calgary, Alberta, Canada – May 10, 2007 – Dynetek Industries Ltd. (TSX:DNK), a leader in the design, manufacturing and marketing of proprietary fuel storage cylinders and systems for compressed natural gas (CNG) and hydrogen, today reported results for the three months ended March 31, 2007.

Financial Highlights

- Net income of $0.2 million for the three months ended March 31, 2007, which is comparable to the same period of 2006.
- Cash flow from operations of $2.1 million for the three months ended March 31, 2007 compared to cash flow from operations of $1.0 million for the comparable period of 2006.
- Record Q1 cylinder and systems sales for the three months ended March 31, 2007 of $9.3 million, an increase of $1.1 million or 13% compared with the three months ended March 31, 2006.
- Record Q1 total revenue for the three months ended March 31, 2007 of $10.5 million, an increase of $1.6 million or 18% from the comparable period of 2006.
- Fourteenth consecutive quarter of positive EBITDA[1].
- Confirmed order book in excess of $20 million to be delivered during 2007.

Christian Rasche, President and Chief Executive Officer, said reporting net income and cash flow from operations for the first quarter of 2007 reflects the commitment to the Company's long-term strategy of penetrating the compressed natural gas market. As noted in our 2006 fourth quarter report, delays in raw materials delayed some shipments by Dynetek of cylinders and systems from 2006 into Q1 2007. To keep our commitments to our customers, Dynetek continued to airfreight its products until mid February 2007. The airfreight costs reduced our margins for Q1 2007 to 18%. Our normal shipments by sea at lower cost resumed in February 2007 and at this time, we expect that our normal shipments by sea will continue for the rest of 2007.

"Requests for tenders by many European bus manufacturing customers for Q2 and Q3 2007 have been deferred until later in 2007. At this time, we expect that our European cylinder and system sales for Q2 and Q3 2007 will be lower than budgeted." commented Mr. Rasche, "Our most important strategic thrust continues to be our focus on the CNG market place where opportunities, will enable the Company to ensure our long-term goals of ensuring net income, include increased contribution margins, and continued revenue growth."

(1) EBITDA is non-GAAP financial measure that is defined and discussed in the "Non GAAP Financial Measures section of the MD&A.

OPERATIONAL HIGHLIGHTS

For the three months ended March 31, 2007 Dynetek reported net income of $0.2 million which is comparable to the same period of 2006. In the first quarter of 2007, Dynetek achieved total revenues of $10.5 million (2006-$8.9 million) with cylinder and system sales of $9.3 million (2006 - $8.2 million). The Company recorded cash flow from operations after changes in working capital of $2.1 million for the three months ended March 31, 2007, compared $0.9 million for the same period of 2006. The Company continues to have positive EBITDA[1] and reported $0.9 million in the first quarter of 2007 representing the fourteenth consecutive quarter of positive EBITDA[1].

The Company continues to focus its compressed natural gas cylinder and system sales in areas such as California and Europe. In Europe, the Company has seen strong growth due to the need to meet regulatory environmental requirements and the price differential of natural gas compared to diesel. In the first quarter, Dynetek's European operations achieved cylinder and system sales of $5.8 million (2006 - $5.2 million). Dynetek's proprietary technology provides advantages such as less weight, more compressed natural gas on board and less operating costs, being the value proposition we offer our customers that our competitors cannot provide. The cylinder and system sales from the Canadian operations for the three months ended March 31, 2007 were $3.5 million (2006 -$3.0 million), an increase of 17%.

In February of 2007 Dynetek accepted a purchase order representing approximately $7 million (CAD) in compressed hydrogen sales with Magna Steyr, an operating unit of Magna International Inc. The purchase order involves the development, certification and supply of 700bar compressed hydrogen fuel storage systems, including related engineering, to Magna Steyr in connection with DaimlerChrysler's fuel cell program. Dynetek will start delivering storage systems for system and vehicle testing in 2007. This revenue has been recorded in research and development income.

(1) EBITDA is non-GAAP financial measure that is defined and discussed in the "Non GAAP Financial Measures section of the MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sets out management's discussion and analysis of our financial position and results of operations for the three months ended March 31, 2007 and 2006. The interim management's discussion and analysis (MD&A) updates our annual MD&A included in our 2006 Annual Report to Shareholders, to which readers are referred. No update is provided where an item is not material or where there has been no material change from the discussion in our annual MD&A.

Non-GAAP Financial Measures

Dynetek Industries Ltd. ('the Company") reports its financial results in accordance with generally accepted accounting principles (GAAP). It also occasionally uses certain non-GAAP financial measures, such as EBITDA and non-cash working capital. Dynetek defines EBITDA as earnings before interest, taxes, stock based compensation, non-cash foreign exchange, depreciation, amortization and impairment of other assets. Dynetek defines non-cash working capital as current assets less cash and current liabilities. These non-GAAP financial measures are always clearly indicated. The Company believes that non-GAAP financial measures provide investors and analysts with useful information so that they can better understand the financial results and perform a better analysis of the Company's growth and profitability potential. Since non-GAAP financial measures do not have a standardized definition, they may differ from the non-GAAP financial measures used by other companies. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not rely on a single non-GAAP financial measure.

Financial Highlights

(tabular amounts in thousands of Canadian dollars, except share capital and per share data)
(unaudited)

	Three months ended March 31 2007	2006
Revenue		
Cylinder and system sales	**9,322**	8,233
Research and development income	**918**	618
Investment and other income	**270**	19
	10,510	8,870
Net income	**167**	216
Net income per common share (basic and fully diluted)	**0.01**	0.01
EBITDA [1]	**910**	820
Capital expenditures	**288**	445
Cash and cash equivalents	**1,366**	2,966
Non-cash working capital [2]	**11,150**	12,113
Working capital[3]	**12,516**	15,079
Cash flow from operations after changes in working capital	**2,119**	996
Total assets	**47,437**	47,758
Operating bank line	**280**	-
Long-term debt	**1,678**	1,478
Common shares outstanding	**20,940,451**	20,940,451
Weighted average common shares outstanding	**20,940,451**	20,939,722

(1) EBITDA is non-GAAP financial measure that is defined and discussed in the "Non GAAP Financial Measures section of the MD&A.
(2) Non-cash working capital is non-GAAP financial measure that is defined and discussed in the "Non GAAP Financial Measures section of the MD&A.
(3) Working capital is non-GAAP financial measure that is defined and discussed in the "Non GAAP Financial Measures section of the MD&A.

Cylinder and system sales for the three months ended March 31, 2007 were $9.3 million, up 13% from $8.2 million for the same period of 2006. During the first quarter of 2007, numerous well known OEM´s, distributors as well as system suppliers purchased the DyneCell® fuel storage systems for CNG and hydrogen storage.

Research and development income for the three months ended March 31, 2007 was $0.9 million, up 50% or $0.3 million from the same period in 2006. During the first three months of 2007, Dynetek continued to be involved with Natural Resources Canada (NRCan) and 9 different OEMs, including Ford, Hyundai, DaimlerChrysler and Nissan, to design, manufacture and deliver the hydrogen storage solution on 12 confidential development programs. Revenues received from the OEMs regarding these projects are recorded on billing milestones outlined in the contracts and, therefore, timing differences occur between when costs are incurred and funding is received. Non-repayable cost shared monies received from NRCan are recorded as revenue in the period it is invoiced. During the first quarter of 2007, Dynetek began developing the fuel systems for the Magna Steyr contract relating to the Daimler Chrysler fuel cell program.

During the first quarter of 2007, Dynetek received $0.2 million (2006 - $nil) repayable cost shared monies of from Natural Resources Canada (NRCan).

Investment and other income for the three months ended March 31, 2007 was $0.3 million compared $19,000 for the same period in 2006. This increase is the result of the sale of shares of a private company purchased as a passive investment in 2002.

Cost of goods sold was $7.6 million for the three months ended March 31, 2007 compared to $6.2 million for the same period in 2006. Corresponding contribution margins for the three months ended March 31, 2007 were $1.7 million, or 18% of sales compared to $2.0 million or 24% of sales for the same period of 2006. As mentioned in the 2006 fourth quarter report, the Company had delays in delivery of raw materials and in order to maintain our market leadership and customer needs, Dynetek continued to incur airfreight costs and incur additional labour and overtime costs until mid February 2007, at which time Dynetek resumed shipping by sea.

General and administrative expense was $1.0 million for the three months ended March 31, 2007, which was $0.1 million higher than the $0.9 million for the same period of 2007. Overall general and administration costs decreased as a percentage of sales from 10% in the first three months of 2006 to 9% in the first three months of 2007.

Research and product development expense was $0.7 million for the three months ended March 31, 2007 compared to $0.5 million for the same period in 2006. The increase in expenses is reflective of the increase in revenue resulting from the additional programs in the first quarter 2007 when compared to the first quarter of 2006. Research and development expense consists of materials, labour and costs of benefits and overhead related to research and development activity.

The majority of Dynetek's research and development programs are co-funded with major OEMs and government (NRCan). The funding from the OEMs for the research and development programs is recorded as research and development revenue based on billing milestones outlined in the contracts. This can result in timing differences between when costs are incurred and funding is received. The government funding is recorded either as research and development income or loans. The cost shared monies received from NRCan, which is non-repayable, are recorded as research and development revenue in the period it is invoiced and the repayable government cost shared monies are recorded as a loan.

Marketing expense was $0.3 million for the three months ended March 31, 2007, compared to $0.4 million for the three months ended March 31, 2006. The decrease is due to less outside commissions incurred in 2007 compared to 2006. Overall marketing expense was 3% of sales for the three months ended March 31, 2007 compared to 5% of sales for the same period of 2006.

Interest expense was $0.1 million for the three months ended March 31, 2007, compared to $nil for the three months ended March 31, 2006. The increase is the result of the draw down of the operating bank line in the first quarter of 2007 compared to no amounts drawn down in 2006.

Depreciation was $0.4 million for the three months ended March 31, 2007, compared to $0.3 million for the three months ended March 31, 2006. The increase in depreciation is a result of the increase in assets included in the production process compared to the balance at March 31, 2006.

Amortization was $0.2 million for the three months ended March 31, 2007, which is comparable to the same period of 2006. Items included in amortization expense include process and development costs, patents and deferred start-up costs for the European operation.

Foreign exchange for three months ended March 31, 2007 was a gain of $1,000 compared to a loss of ($70,000) in the same period of 2006. The Canadian operation invoices the majority of its revenue in US dollars and the European operation invoices in Euros. The Company reports its results in Canadian dollars but the revenues are generated in US dollars, Euros and Canadian dollars. The foreign exchange gain in the first three months of 2007 is a result of a limited movement in the exchange rates for both US dollars and Euros compared to the Canadian dollar.

Future Income taxes for the first quarter were $0.1 million compared to $nil for the same period of 2006. During the first quarter the Company reduced its future income tax asset due to the use of losses to shelter taxable income from the European operations.

Net income for the three months ended March 31, 2007 was $0.2 million or $0.01 per common share which is comparable to the same period of 2006.

Summary of Quarterly Results

The following table shows selected unaudited financial information for the past nine quarters ending March 31, 2007. The information has been obtained from our quarterly unaudited financial statements, which have been prepared in accordance with Canadian GAAP and, in the opinion of management, have been prepared using accounting policies consistent with the audited financial statements and include all adjustments necessary for the fair presentation of the results of the interim periods. We expect our operating results to vary significantly from quarter to quarter and they should not be relied upon to predict future information.

(thousands of Canadian dollars except per share data) (unaudited)	**Mar. 31 2005**	**June 30 2005**	**Sept. 30 2005**	**Dec. 31 2005**	**Mar. 31 2006**	**June 30 2006**	**Sept 30 2006**	**Dec. 31 2006**	**Mar. 31 2007**
Revenues									
Cylinder and system sales	5,676	6,356	5,631	5,858	8,233	8,090	8,275	11,334	9,322
Research & development income	1,193	683	362	603	618	644	376	771	918
Investment & other income	57	11	12	317	19	38	13	14	270
	6,926	7,050	6,005	6,778	8,870	8,772	8,664	12,119	10,510
Operating expenses									
Cost of goods sold	4,175	4,796	4,139	4,538	6,241	6,307	6,393	9,513	7,630
Marketing & general and admin.	1,154	1,347	1,118	1,548	1,331	1,384	1,387	1,802	1,312
Research & product development	1,063	645	604	461	478	515	567	650	658
	6,392	6,788	5,861	6,547	8,050	8,206	8,347	11,965	9,600
Earnings before interest, income taxes, non-cash foreign exchange, depreciation & amortization, stock based compensation, and impairment of other assets, [1]	534	262	144	231	820	566	317	154	910
Interest	-	-	-	-	-	-	22	62	68
Foreign exchange (gain) loss	241	127	357	258	70	146	6	75	(1)
Depreciation & amortization	373	411	449	466	486	518	546	1,018	568
Stock based compensation	95	99	100	106	48	51	54	56	28
Impairment of other assets	-	-	535	-	-	-	-	1	-
Income taxes	-	-	-	-	-	-	-	150	80
	709	637	1,441	829	604	715	628	1,361	743
Net Income (loss)	(175)	(375)	(1,297)	(598)	216	(149)	(311)	(1,207)	167
Earnings (loss) per share									
Basic and fully diluted	(0.01)	(0.02)	(0.06)	(0.03)	0.01	(0.01)	(0.02)	(0.05)	0.01

(1) Earnings before interest, taxes, non-cash foreign exchange, impairment of other assets, stock based compensation, depreciation and amortization (EBITDA) is a non-GAAP measure and may not be comparable to similar measures used by other companies. Management believes EBITDA is a useful measure to assist in the assessment of Dynetek's ability to generate cash flows from its operations.

Intangible assets and deferred costs

(thousands of Canadian dollars)
(unaudited)

	Three months ended March 31 2007	2006
Patents	**6**	1
Certification costs	**270**	350
Deferred Costs	**45**	20
	321	371

Intangible asset expenditures for the three months ended March 31, 2007 were $0.3 million compared to $0.4 million for the same period of 2006. Dynetek spent funds on registering new patents, maintaining existing patents, deferred costs associated with the development of the Company's Brazil project and costs associated with new product certification.

Capital Expenditures

(thousands of Canadian dollars)
(unaudited)

	Three months ended March 31 2007	2006
Building and leaseholds	**9**	7
Manufacturing equipment	**261**	186
Office furniture and other equipment	**52**	5
Computer hardware and software	**12**	2
Manufacturing equipment under construction	**(46)**	245
	288	445

Capital expenditures for the three months ended March 31, 2007 were $0.3 million a reduction of $0.1 million compared to the same period of 2006. During the first quarter of 2007, the Company commissioned $0.3 million of manufacturing equipment into the production line. The majority of the expenditures incurred relate to expansion of production assets. The efficiencies and high production capabilities of the new manufacturing process will contribute directly to cost reductions and higher production output.

The Company's capital resource requirements consist of capital expenditures to maintain and improve the existing production line.

Financial Resources and Liquidity

The Company's liquidity position relates to the increase in working capital required to maintain our increase in sales. The Company believes that with the available positive working capital and an operating bank line, these two factors will be adequate to meet the liquidity needs of the Company for at least the next twelve months.

The Company's actual funding requirements and financing alternatives could vary depending on a number of factors, including the increase of the CNG system sales on a global basis, the progress of research and development projects and the development of additional relationships with strategic partners.

As at March 31, 2007 Dynetek had cash and cash equivalents of $1.4 million, compared to $2.0 million at December 31, 2006. Dynetek was cash flow positive from operations of $2.1 million for the three months ended March 31, 2007 compared to cash flow from operations of $1.0 million for the same period of 2006.

At March 31, 2007 the Company had drawn down $0.3 million of the $5.0 million operating bank line of credit facility with a major chartered bank.

The Company's investment in inventory resulted in an increase of $0.1 million to $12.0 million at March 31, 2007 from December 31, 2006. Work-in-progress represented by confirmed orders was $4.1 million, comparable to the balance at December 31, 2006. Raw material levels decreased by $0.3 million to $3.7 million. This reduction is due to the reduction of carbon fibre inventory. Finished goods inventory increased by $0.3 million to $4.1 million from the December 31, 2006 levels.

At March 31, 2007 accounts receivable was $8.1 million a decrease of $0.1 million when compared to December 31, 2006. This decrease is a result of the decrease in cylinder and system sales compared to the fourth quarter of 2006.The Company seeks to manage the collection of receivables, the use of the operating bank line and the payment of payables in a manner that working capital levels will continue to fund ongoing operations. Accounts payable at March 31, 2007 was $5.4 million, compared to $7.2 million as at December 31, 2006. This decrease is representative of the decreases in production compared to the fourth quarter of 2006. Deferred revenue was $3.5 million compared to $0.7 million at December 31, 2006. The increase is mainly due to an advanced payment made by Magna Steyr in connection with DaimlerChrysler's fuel cell program.

The long-term debt relates to repayable research and development funding supplied by NRCan. These agreements allow Dynetek to retain the intellectual property and to receive long-term funding. During the first quarter of 2007 the Company received $0.2 million of long-term debt relating to the repayable research and development funding supplied by NRCan. The debt is repayable only in the form of royalties based on specific related commercial product sales and is interest free. The Company has $0.2 million to be repaid in fiscal 2007.

The Company believes that additional cost shared monies will continue to be available from governments and OEMs for future research and development projects

Dynetek continues to build on the strong strategic alliances with several major OEMs whereby confidential joint funding has been obtained to develop complete hydrogen fuel storage systems. Other research programs with strategic partners, such as government bodies, who provide financial and technical support, are also in place to explore other storage applications in the energy marketplace.

Transactions with Related Parties

For the three months ended March 31, 2007, the Company purchased under normal terms and conditions $1.4 million (2006 - $2.4 million) of material used in the production of lightweight fuel storage systems from Mitsubishi Rayon Corporation, a shareholder of the Company.

OUTSTANDING SHARE DATA

Issued and outstanding:

	Number of Shares	Amount
Balance at December 31, 2006	20,940,451	52,433
Balance at March 31, 2007	**20,940,451**	**52,433**

	March 31 2007	December 31 2006
Securities convertible into common shares:		
Stock options	**1,192,500**	1,170,500
Warrants	**756,738**	756,738

As at May 1, 2007 Common shares outstanding were 20,940,451, options outstanding of 1,190,000 and warrants outstanding of 756,738.

CHANGES IN ACCOUNTING POLICIES

As required by the Canadian Institute of Chartered Accountants ("CICA"), on January 1, 2007, the Company adopted CICA Handbook section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 3865, Hedges and Section 1506, Accounting Changes.

a) Comprehensive Income and Equity

Upon adoption of Section 1530, the Company revised its "Consolidated Statement of Operations and Deficit" to include the newly required Statement of Comprehensive Income by creating a "Consolidated Statement of Net Income, Comprehensive Income and Deficit", and added to the Balance Sheet "Accumulated Other Comprehensive Income" as a component of Shareholders' Equity.

b) Financial Instruments

i) Financial assets and financial liabilities
Under the new CICA standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. The classification depends on the purpose for which the financial instrument were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

The new CICA standards require that all financial assets be classified in one of the five categories; 1) loans and receivables, 2) assets held-to-maturity, 3) assets available-for-sale, 4) other financial liabilities, and 5) held-for-trading. Financial instruments classified as held-for-trading or available-for-sale items as a result of initially adopting this section are measured at fair value. Gains or losses on re-measurement of held-for-trading items are recognized as an adjustment to opening retained earnings, while gains and losses on re-measurement of available-for-sale items are recognized as an adjustment to opening Accumulated Other Comprehensive Income.

Financial instruments that are classified as held-for-trading or available-for-sale are re-measured each reporting period at fair value with the resulting gain or loss recognized immediately in net income and other comprehensive income, respectively. All other financial instruments are accounted for at amortized cost with foreign exchange gains and losses recognized immediately in net income. The recognition, de-recognition and measurement policies followed in financial statements for periods prior to the adoption of this standard are not reversed and, therefore, those financial statements are not restated.

ii) Classification of financial instruments
The Company has applied the following classifications to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash and cash equivalents	Designated as held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Operating bank line	Other liabilities
Long-term debt	Other liabilities

iii) Derivatives
At March 31, 2007 and December 31, 2006 the Company had no derivatives.

iv) Embedded derivatives
Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free standing derivative; and the combined instrument or contract is not measured at fair value, any changes in fair value recognized in the income statement. At March 31, 2007 and December 31, 2006 the Company had no embedded derivatives.

v) Determination of fair value
The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using valuation techniques which refer to observable market data.

vi) Transaction Costs
At March 31, 2007 and December 31, 2006 the Company had no transaction costs.

c) Hedge accounting
Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. The Company did not have any hedging contracts outstanding as at March 31, 2007 and December 31, 2006.

d) Accounting Changes
Effective January 1, 2007, the Corporation also adopted CICA section 1506, “Accounting Changes”. Under this standard, voluntary changes to accounting policies are allowed only in situations where they provide financial statements users with more reliable and relevant information. Policy changes are applied retro-actively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are retro-actively applied to the financial statements while changes in accounting estimates are prospectively applied with the changes included in earnings. This section applies to all changes in policies and estimates or corrections of prior period errors in periods beginning on or after January 1, 2007.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company’s internal control over financial reporting that occurred during the most recent interim period that materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

OUTLOOK

The Company remains committed to its strategic plan it began over six years ago. Dynetek will continue to grow its CNG revenue stream globally through targeted marketing initiatives. As in the past, the Company will create access to new revenue opportunities for storing compressed gases by working closely with customers and partners to deliver storage solutions.

Dynetek will seek new partners and customers, and will adjust its product offerings to maintain and grow revenue streams. Dynetek will evaluate and expand its supplier base to ensure supplier capacity can match the Company’s growth curve. Dynetek will continue to carry out research and development projects to contribute to ongoing growth and profitability.

When considering how best to finance opportunities, the foremost considerations will be the cost of the investment compared to revenue generation and time to profitability. Dynetek believes added investment can be limited by joint ventures with strategic partners, who have market reach and local manufacturing expertise

Additional information relating to Dynetek

Additional information concerning Dynetek, including the AIF, is available on SEDAR at www.sedar.com.

Dynetek Industries Ltd. is a leading international company engaged in the design, manufacturing and marketing of fueling systems and high-pressure components including valves and regulators. The key component of the storage system is the DyneCell® cylinder, capable of storing high pressure gases including compressed natural gas (CNG), hydrogen, and various industrial gases. Dynetek's cylinder and fuel storage systems applications include but are not limited to: the transportation industry, including passenger automobiles, light and heavy-duty trucks, transit and school buses; the bulk hauling of compressed gases; and stationary storage or ground storage refueling applications.

Forward looking statements

In addition to historical information, this news release contains forward-looking statements and should be read in conjunction with the financial statements and related notes for the year ended December 31, 2006. Forward-looking statements are based upon current assumptions, expectations and estimates that involve a number of risks and uncertainties and actual results could differ materially from those discussed in the forward-looking statements. Readers are encouraged to review the section in the Management's Discussion and Analysis titled 'Principal Risks and Uncertainties' for a discussion of factors that could affect Dynetek's future operations and financial results. Forward-looking statements are based upon management's assumptions, expectations and estimates at the time the statements are made. Dynetek does not update forward-looking statements should circumstances or management's assumptions, expectations or estimates change, except where required by law.

For further information, please contact:
Christian Rasche, President and Chief Executive Officer
Or Karen Minton, Vice President Finance and Administration and CFO
Dynetek Industries Ltd.
4410-46 Avenue S.E.
Calgary, Alberta T2B 3N7
Tel: 403-720-0262
Toll-free: 1-888-396-3835
Fax: 403-720-0263
Web: www.dynetek.com

Dynetek Industries Ltd.

Dynetek Industries Ltd.
Consolidated Balance Sheets

(thousands of Canadian dollars)
(unaudited)

	March 31 2007	December 31 2006
ASSETS		
Current assets		
Cash and cash equivalents	**1,366**	2,030
Accounts receivable	**8,094**	8,246
Inventory (note 4)	**11,993**	11,859
Prepaids and other	**488**	696
	21,941	22,831
Intangible assets and deferred costs	**6,028**	5,917
Capital assets	**17,193**	17,263
Future income tax	**2,275**	2,355
	47,437	48,366
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**5,419**	7,171
Operating bank line	**280**	2,650
Deferred revenue (note 2)	**3,518**	720
Current portion of long-term debt	**208**	185
	9,425	10,726
Long-term debt	**1,470**	1,293
SHAREHOLDERS' EQUITY		
Share capital (note 5)	**52,433**	52,433
Contributed surplus (note 6)	**2,419**	2,391
Deficit	**(18,310)**	(18,477)
Accumulated other comprehensive income	**-**	-
	36,542	36,347
	47,437	48,366

See accompanying notes to the unaudited consolidated financial statements

Dynetek Industries Ltd.

Consolidated Statements of Net Income, Comprehensive Income and Deficit

(thousands of Canadian dollars except share capital and per share amounts)

(unaudited)	Three months ended March 31	
	2007	2006
REVENUE		
Cylinder and system sales	**9,322**	8,233
Research and product development	**918**	618
Investment and other income	**270**	19
	10,510	8,870
EXPENSES		
Cost of goods sold	**7,630**	6,241
General and administrative	**976**	895
Research and product development	**658**	478
Marketing	**336**	436
Interest expense	**68**	-
Depreciation	**358**	333
Amortization of intangible assets and deferred costs	**210**	153
Foreign exchange (gain) loss	**(1)**	70
Stock based compensation (note 6)	**28**	48
	10,263	8,654
Net income before income taxes	**247**	216
PROVISION FOR TAXES		
Future income tax	**80**	-
	80	-
NET INCOME AND COMPREHENSIVE INCOME (note 3)	**167**	216
Deficit, beginning of period	**(18,477)**	(17,026)
DEFICIT, END OF PERIOD	**(18,310)**	(16,810)
Per Share Information		
Net Income per share (basic and diluted)	**0.01**	0.01
Weighted average number of common shares outstanding	**20,940,451**	20,939,722

See accompanying notes to the unaudited consolidated financial statements

Dynetek Industries Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of Canadian dollars)
(unaudited)

	Three months ended March 31 2007	2006
Cash flows provided by (used for) operating activities		
NET INCOME	**167**	216
Items not involving cash		
Depreciation	**358**	333
Amortization of intangible assets and deferred costs	**210**	153
Stock based compensation	**28**	48
Future income tax	**80**	-
Unrealized foreign exchange loss	**10**	80
	853	830
Changes in non-cash working capital		
Accounts receivable	**152**	(601)
Inventory	**(134)**	(651)
Prepaids and other	**208**	182
Accounts payable and accrued liabilities	**(1,752)**	742
Deferred revenue	**2,798**	550
Unrealized foreign exchange loss in non-cash working capital	**(6)**	(56)
Cash flow from operations	**2,119**	996
INVESTING ACTIVITIES		
Additions to intangible assets and deferred costs	**(321)**	(371)
Additions to capital assets	**(288)**	(445)
	(609)	(816)
FINANCING ACTIVITIES		
Repayment of operating bank line	**(2,370)**	-
Long-term debt	**200**	-
Exercise of options	**-**	1
	(2,170)	1
Foreign exchange loss on cash held in a foreign currency	**(4)**	(24)
Increase (decrease) in cash and cash equivalents	**(664)**	157
Cash and cash equivalents, beginning of period	**2,030**	2,809
Cash and cash equivalents, end of period	**1,366**	2,966

Interest income received during the three month period ended March 31, 2007 was $10 (2006 - $19) and interest paid during the period ended March 31, 2007 was $68 (2006 – $ nil).

See accompanying notes to the unaudited consolidated financial statements

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2007 and 2006 and as at December 31, 2006
(tabular amounts in thousands of Canadian dollars, except share capital amounts)
(unaudited)

1. BASIS OF PRESENTATION
The unaudited interim consolidated financial statements of Dynetek Industries Ltd. (“Dynetek” or “the Company”) have been prepared by management in accordance with Canadian generally accepted accounting principles. The unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the most recent annual audited consolidated financial statements for the year ended December 31, 2006. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company’s Annual Report for the year ended December 31, 2006.

2. SIGNIFICANT ACCOUNTING POLICIES
a) Revenue recognition
Cylinder and system revenue is recognized when finished goods are shipped to the customer.
Research and development revenue is generated by projects co-funded with the original equipment manufacturers (OEMs) and government agencies. This revenue is recognized when contractual deliverables and milestones are met. Timing differences can occur between when costs are incurred and when revenue is invoiced and earned. Customer billings for services not yet rendered or customer deposits are received and deferred and recognized as revenue when the services are rendered and finished goods are shipped to the customer. Any associated deferred revenue is included in current liabilities.

b) Research and development costs
Research and development costs are expensed as incurred.

3. CHANGES IN ACCOUNTING POLICIES
As required by the Canadian Institute of Chartered Accountants (“CICA”), on January 1, 2007, the Company adopted CICA Handbook section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 3865, Hedges and Section 1506, Accounting Changes.

a) Comprehensive Income and Equity
Upon adoption of Section 1530, the Company revised its “Consolidated Statement of Operations and Deficit” to include the newly required Statement of Comprehensive Income by creating a “Consolidated Statement of Net Income, Comprehensive Income and Deficit”, and added to the Balance Sheet “Accumulated Other Comprehensive Income” as a component of Shareholders’ Equity.

b) Financial Instruments
i) Financial assets and financial liabilities
Under the new CICA standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

The new CICA standards require that all financial assets be classified in one of the five categories; 1) loans and receivables, 2) assets held-to-maturity, 3) assets available-for-sale, 4) other financial liabilities, and 5) held-for-trading. Financial instruments classified as held-for-trading or available-for-sale items as a result of initially adopting this section are measured at fair value. Gains or losses on re-measurement of held-for-trading items are recognized as an adjustment to opening retained earnings, while gains and losses on re-measurement of available-for-sale items are recognized as an adjustment to opening Accumulated Other Comprehensive Income.

Financial instruments that are classified as held-for-trading or available-for-sale are re-measured each reporting period at fair value with the resulting gain or loss recognized immediately in net income and other comprehensive income, respectively. All other financial instruments are accounted for at amortized cost with foreign exchange gains and losses recognized immediately in net income. The recognition, de-recognition and measurement policies followed in financial statements for periods prior to the adoption of this standard are not reversed and, therefore, those financial statements are not restated.

ii) Classification of financial instruments

The Company has applied the following classifications to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Cash and cash equivalents	Designated as held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Operating bank line	Other liabilities
Long-term debt	Other liabilities

iii) Derivatives

At March 31, 2007 and December 31, 2006 the Company had no derivatives.

iv) Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free standing derivative; and the combined instrument or contract is not measured at fair value, any changes in fair value recognized in the income statement. At March 31, 2007 and December 31, 2006 the Company had no embedded derivatives.

v) Determination of fair value

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using valuation techniques which refer to observable market data.

vi) Transaction Costs

At March 31, 2007 and December 31, 2006 the Company had no transaction costs.

c) Hedge accounting

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item. The Company did not have any hedging contracts outstanding as at March 31, 2007 and December 31, 2006.

d) Accounting Changes

Effective January 1, 2007, the Corporation also adopted CICA section 1506, “Accounting Changes”. Under this standard, voluntary changes to accounting policies are allowed only in situations where they provide financial statements users with more reliable and relevant information. Policy changes are applied retro-actively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are retro-actively applied to the financial statements while changes in accounting estimates are prospectively applied with the changes included in earnings. This section applies to all changes in policies and estimates or corrections of prior period errors in periods beginning on or after January 1, 2007.

4. INVENTORY

	March 31 2007	December 31 2006
Raw materials	**3,749**	3,957
Work-in-progress	**4,138**	4,126
Finished goods	**4,105**	3,776
	11,993	11,859

5. SHARE CAPITAL
The issued and outstanding common shares of the Company along with securities convertible into common shares are as follows:

Issued and outstanding:

	Number of Shares	Amount
Balance at December 31, 2006	20,940,451	52,433
Balance at March 31, 2007	**20,940,451**	**52,433**

	March 31 2007	December 31 2006
Securities convertible into common shares:		
Stock options	**1,192,500**	1,170,500
Warrants	**756,738**	756,738

The estimated fair value of the options used for accounting purposes has been determined using the Black Scholes option-pricing model with the following assumptions:

	Three months ended March 31	
	2007	2006
Weighted average risk-free interest rate	**4.14%**	1.75%
Weighted average expected life	**5 years**	5 years
Estimated volatility in the market price of the common shares	**78%**	82%
Dividend yield	**0%**	0%

The weighted average fair value per option was $1.70 for the three months ended March 31, 2007 and $2.35 for the comparable period of 2006.

During the first quarter of 2007, 49,500 (2006 - 15,000) options were issued to employees.

6. CONTRIBUTED SURPLUS
The following table summarizes information about contributed surplus.

Balance at December 31, 2006	2,391
Stock based compensation expense	28
Balance at March 31, 2007	**2,419**

7. TRANSACTIONS WITH RELATED PARTIES

For the three months ended March 31, 2007, the Company purchased under normal terms and conditions $1.4 million (2006 - $2.4 million) of material used in the production of lightweight fuel storage systems from Mitsubishi Rayon Corporation, a shareholder of the Company.

8. SEGMENTED INFORMATION

The Company currently operates in one operating segment, which involves the manufacture and sale of lightweight fuel storage systems. The majority of the Company's operations and assets relating to commercial production were located in Canada at March 31, 2007. Revenues attributed to foreign countries are based on the location of the customer.

	Three months ended March 31	
	2007	2006
Cylinder and system sales		
Canada	**118**	83
United States	**2,580**	885
Japan	**590**	315
European Union	**5,780**	5,181
Australia	**-**	1,619
Other	**254**	150
	9,322	8,233

Corporate Information

Board of Directors

Heinz O. Portmann
Chairman of the Board
Dynetek Industries Ltd.
Calgary, Alberta

Andrew T.B. Stuart †
Chairman
Sustainability Shift Inc
Toronto, Ontario

Peter A. Leus†√
Director
Starlaw Holdings Ltd.
Montreal, Quebec

Michael J. Lang*†
Chairman
Stonebridge Merchant Capital Corp.
Calgary, Alberta

Larry A. Wright* √
Executive Vice President
Multimatic Inc
Markham, Ontario

William K. Kovalchuk*
President
Claret Asset Management Corp.
Montreal, Quebec

Robb D. Thompson
Vice President Finance, and Chief Financial Officer
Berkana Energy Corp.
Calgary, Alberta

Christian W. Rasche
President and Chief Executive Officer
Dynetek Industries Ltd.
Calgary, Alberta

* Audit Committee member
† Compensation Committee member
√ Corporate Governance Committee member

Officers and Management

Heinz O. Portmann
Chairman of the Board

Christian W. Rasche
President and Chief Executive Officer

Michael D. Portmann
Vice President and General Manager

Ulrich Imhof
Vice President, Engineering

Karen Y. Minton
Vice President, Finance and Administration and Chief Financial Officer

Norman E. Hall
Corporate Secretary

Corporate Head Office
4410 – 46th Avenue SE
Calgary, Alberta, Canada
T2B 3N7
Tel (403) 720 0262
Fax (403) 720 0263
Web site: www.dynetek.com

Subsidiary
Dynetek Europe GmbH
Breitscheider Weg 117a
D-40885 Ratingen
Germany

Bankers
Bank of Nova Scotia
Calgary, Alberta

Auditors
Deloitte & Touche LLP
Calgary, Canada

Legal Counsel
Gowling Lafleur Henderson LLP
Calgary, Alberta

Transfer Agent and Registrar
CIBC Mellon Trust Company
with offices in Toronto,
Montreal and Calgary

Stock Listing
Toronto Stock Exchange
Trading Symbol: DNK

Investor Relations
To obtain additional information about Dynetek or to be placed on our mailing list for quarterly reports please Contact either:
Christian W. Rasche
or Karen Minton
Dynetek Industries Ltd.
Investor Relations
4410 – 46th Avenue SE
Calgary, Alberta, Canada
T2B 3N7
Tel (403) 720 0262
Fax (403) 720 0263
Email: invest@dynetek.com