



Dynetek Industries Ltd. Announces First Quarter 2009 Results

Calgary, Alberta, Canada – May 15, 2009 – Dynetek Industries Ltd. (TSX:DNK), a leader in the design, manufacturing and marketing of proprietary fuel storage cylinders and systems for compressed natural gas and hydrogen, today reported results for the three months ended March 31, 2009. The full unaudited consolidated financial statements and MD&A have been filed on SEDAR at www.sedar.com and on Dynetek's website at www.dynetek.com.

Financial Highlights

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

	Three months ended March 31	
	2009	2008
Total revenue	6,856	4,449
Net loss	(909)	(1,060)
Net loss per common share (basic and fully diluted)	(0.04)	(0.05)
EBITDA ¹	1	(699)
Cash and cash equivalents	728	5,658
Non-cash working capital ¹	13,972	10,237
Working capital ¹	15,108	16,303
Total assets	42,478	43,181
Long-term debt and capital lease	6,948	7,297
Capital expenditures	98	78
Cash flow deficiency from operations	(2,821)	(646)
Weighted average number of common shares outstanding	20,936,500	20,936,500

⁽¹⁾ EBITDA, non-cash working capital and working capital are non-GAAP financial measures. Dynetek defines EBITDA as earnings before interest, taxes, stock based compensation, foreign exchange gain or loss, depreciation, and amortization. Dynetek defines non-cash working capital as current assets less cash, restricted cash and current liabilities and working capital as current assets less current liabilities. Dynetek believes these non-GAAP financial measures provide investors and analysts with useful information so that they can better understand the financial results.

OPERATIONAL HIGHLIGHTS

Dynetek reported stronger revenue and EBITDA for 2009 compared to the first quarter of 2008. The increases in revenue and EBITDA were primarily achieved from Dynetek's European operations. In the first three months of 2009, Dynetek achieved total revenues of \$6.9 million, an increase of 54%, compared to \$4.4 million for the same period of 2008. Cylinder and system sales for the three months ended March 31, 2009 were \$5.8 million, an increase of 79%, compared to \$3.2 million for the same period of 2008. The Company's EBITDA for the three months ended March 31, 2009, was positive compared to negative EBITDA of (\$0.7) million for the three months ended March 31, 2008.

The increases in revenue and EBITDA resulted in Dynetek recording a smaller loss in the first quarter of 2009, (net loss of \$0.9 million or net loss of \$0.04 per common share), compared to the same quarter of 2008 (net loss of \$1.1 million or net loss of \$0.05 per common share).

In the first quarter of 2009, revenue from the European operations increased 104%, due to stronger sales activities and fewer postponed and cancelled orders, compared to the first quarter of 2008. North American revenue increased 6% in the first quarter of 2009 compared to the same quarter of 2008, inspite of increased competition and customer requests to defer orders to the third quarter of 2009.

For the three months ended March 31, 2009, the Company achieved research and development revenue of \$1.1 million, compared to \$1.2 million for the same period of 2008. In the third quarter of 2009, Dynetek expects to deliver the third and final milestone under its contract with Magna Steyr, in connection with Daimler's automotive fuel cell program. The program involves the development, certification and supply of 700bar compressed hydrogen fuel storage systems to Magna Steyr in connection with Daimler's fuel cell program.

The Company continues to maintain consistent levels of liquidity as working capital was \$15.1 million at March 31, 2009, compared to \$15.8 million at December 31, 2008.

OUTLOOK

The Company remains committed to continuing to grow its Compressed Natural Gas ('CNG') and Hydrogen revenue streams through targeted marketing initiatives. The Company will have a stronger short-term focus on its CNG activities due to a persistent economic lull in hydrogen market activities. However, Dynetek believes that the market for compressed hydrogen enabling technologies will continue to develop over the next few years in conjunction with nearer term hydrogen industry energy applications.

In 2009, the Company expects to increase its focus on revenue growth opportunities in the CNG market for bus and heavy-duty truck applications and for bulk hauling of larger quantities of compressed gas. The Company will continue to market and deliver its Mobile Gas Distribution System, a lightweight tube trailer designed for the gas utility industry. Currently, the Company continues to develop and test new products for the CNG market.

Major economic and environmental factors worldwide are contributing to high-growth in natural gas demand for vehicles as follows:

- The high growth rate in demand for natural gas stems from the comparative advantages of natural gas compared to diesel, gasoline and bio-fuels;
- Natural gas is cleaner with less toxic emissions than diesel or gasoline and is currently less costly;
- A growing natural gas infrastructure. Continuing investment in infrastructure is adding to the number of compressed natural gas refueling centers; and
- CNG will continue to develop as a transportation fuel as it currently is less costly than oil based fuels which are also becoming supply constrained in developing economies.

The above trends and related market opportunities are expected to create a positive intermediate and longer-term outlook for Dynetek. The Company does anticipate new legislation to improve and maintain the North American environment, which could lead to increased sales of its CNG systems. Turbulence in the global financial markets has negatively impacted the financial abilities of certain industries. In response, Dynetek will narrow its focus of its marketing activities to geographical areas that generate revenues for the Company or potential to contribute significant revenue through CNG growth.

Dynetek expects to record increased revenue and EBITDA in Q2 of 2009 due to increases in demand for its products, especially from European customers. The Company has forecasted for Q2 of 2009 to surpass the financial results from Q1 of 2009 and in comparison to Q2 of 2008.

In response to the turbulent economic conditions experienced in North American and Europe during the fourth quarter of 2008 and first quarter of 2009, the Company continues to manage its costs responsibly and improve production efficiencies where possible. For the second quarter, the Company has reduced production and administrative staff to core levels and continues to review supplier alternatives.

ABOUT DYNETEK

Dynetek Industries Ltd. designs, produces and markets one of the lightest and most advanced fuel storage and refueling systems for compressed natural gas, low emission vehicles and compressed hydrogen, zero-emission fuel cell vehicles. Dynetek is recognized around the world for its solutions-of-choice to the alternate fuel vehicle sector, evidenced by strategic relationships with major manufacturers around the globe. Dynetek is listed on the Toronto Stock Exchange, symbol: DNK

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, 2008 and quarterly interim financial statements for the first quarter of 2009. 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 securities laws.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sets out management's discussion and analysis of Dynetek's financial position as at March 31, 2009 and December 31, 2008 and results of operations for the three months ended March 31, 2009 and 2008 and is based on information available as at May 11, 2009. The interim management's discussion and analysis ('MD&A') updates Dynetek's 2008 annual MD&A, 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 Dynetek's 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, working capital and non-cash working capital. Dynetek defines EBITDA as earnings before interest, taxes, stock based compensation, foreign exchange gain or loss, depreciation, and amortization. Dynetek defines non-cash working capital as current assets less cash, restricted cash and current liabilities and working capital as current assets less current liabilities. These non-GAAP financial measures are always clearly indicated. The Company believes that these 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. A reconciliation of non-GAAP financial measures from the Consolidated Balance Sheets and Consolidated Statements of Net Loss, Comprehensive Loss and Deficit is provided in the section Reconciliation of non-GAAP Financial Measures.

Forward Looking Statements

In addition to historical information, this management's discussion and analysis contains forward-looking statements and should be read in conjunction with the financial statements and related notes for the year ended December 31, 2008 and quarterly interim financial statements for 2009. 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 annual 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 securities laws.

Financial Highlights

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

(unaudited)	Three months ended	
	March 31	
	2009	2008
Revenue		
Cylinder and system sales	5,796	3,242
Research and development income	1,057	1,196
Investment and other income	3	11
Total Revenue	6,856	4,449
Net loss	(909)	(1,060)
Net loss per common share (basic and fully diluted)	(0.04)	(0.05)
EBITDA ¹	1	(699)
Cash	728	5,658
Non-cash working capital ¹	13,972	10,237
Working capital ¹	15,108	16,303
Total assets	42,478	43,181
Long-term debt	6,948	7,297
Capital expenditures	98	78
Cash flow deficiency from operations	(2,821)	(646)
Weighted average number of common shares outstanding	20,936,500	20,936,500

⁽¹⁾ EBITDA, non-cash working capital and working capital are non-GAAP financial measures that are defined and discussed in the Non-GAAP Financial Measures section of the Management's Discussion and Analysis.

Cylinder and system sales for the three months ended March 31, 2009 were \$5.8 million, an increase of 79% from \$3.2 million for the same period of 2008. The increase was primarily achieved from stronger sales from Dynetek's European operations. In the first three months of 2009, Dynetek's European operations achieved cylinder and system sales of \$4.9 million compared to \$2.4 million in the first three months of 2008. The cylinder and system sales from the Canadian operations for the three months ended March 31, 2009 were \$0.9 million compared to \$0.8 million in the same period of 2008. This first quarter increase from the Canadian operations was achieved despite additional requests by customers to defer sales orders to the third quarter of 2009 and increased North American price competition.

Research and development income for the three months ended March 31, 2009 was \$1.1 million, a decrease of 12% from the same period in 2008. The primary reason for the decrease in research and development income is the revenues relating to the Magna Steyr contract involving the design, certification and supply of 700bar compressed hydrogen fuel storage systems. Dynetek continued to provide deliverables under the third and final milestone for the Magna Steyr contract during the first quarter of 2009 and the contract will be completed during the third quarter of 2009. Revenues from such contracts are recognized based on billing milestones defined in the contracts and therefore, timing differences can occur.

Cost of goods sold was \$4.6 million for the three months ended March 31, 2009 compared to \$2.8 million for the same period in 2008. Corresponding contribution margins for the three months ended March 31, 2009 were \$1.2 million, or 20% of sales compared to \$0.4 million or 14% of sales for the same period of 2008. The margin reduction for the three months ended March 31, 2008 compared to the same period of 2009, is due to the reduced sales in the period, resulting in less revenue to cover fixed production costs.

General and administrative expense was \$0.9 million for the three months ended March 31, 2009, which was comparable to the same period of 2008. General and administration expense as a percentage of revenue for the three months ended March 31, 2009 was 13% compared to 19% for the same period of 2008. The increase in sales for the three months ended March 31, 2009 resulted in the improvement of general and administration expense as a percentage of revenue.

Research and product development expense was \$0.9 million for the three months ended March 31, 2009 compared to \$1.2 million for the same period in 2008. Research and development expense consists of materials, labor and costs of benefits and overhead related to research and development activity. The decrease in expenses is reflective of the decrease in research and development revenue in the first quarter of 2009.

The majority of Dynetek's research and development programs are co-funded with major OEMs and government agencies such as Natural Resources Canada ('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. During the first quarter of 2009, Dynetek continued to provide deliverables under the milestones for the Magna Steyr contract relating to the Daimler Chrysler fuel cell program and the research and development contract for a new, lightweight hydrogen storage system for fuel cell vehicles, announced in the fourth quarter of 2008.

Marketing expense was \$0.4 million for the three months ended March 31, 2009, an increase of \$0.1 million compared to the same period of 2008. The Company increased its marketing activities in the first quarter of 2009 as revenues are forecasted to be stronger in the first half of 2009. Marketing expense decreased to 6% of revenue for the three months ended March 31, 2009 compared to 7% for the same period of 2008.

Interest Expense was \$0.1 million for the three months ended March 31, 2009, which is comparable to the same period of 2008. The 2008 interest expense included transaction costs of \$33 thousand relating to the mortgage obtained during the period.

Depreciation was \$0.3 million for the three months ended March 31, 2009, which is comparable to the same period of 2008.

Amortization was \$0.3 million for the three months ended March 31, 2009, which was comparable to the same period of 2008.

Foreign exchange for three months ended March 31, 2009 was a loss of \$0.2 million compared to a gain of \$0.3 million in the same period of 2008. Dynetek's 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 loss in the first three months of 2009 is primarily a result of a strengthening of the Canadian dollar against the Euro resulting in a negative impact on the foreign denominated accounts receivable and cash when translating into Canadian dollars for financial reporting purposes and the settlement of accounts receivable transactions during the period.

Stock based compensation for three months ended March 31, 2009 was \$25 thousand compared to \$21 thousand in the same period of 2008. There were no issuance of stock options during the first quarter of 2009 and 2008.

Net Loss for the three months ended March 31, 2009 was (\$0.9) million or (\$0.04) per common share compared to net loss of (\$1.1) million or (\$0.05) per common share for the comparable period of 2008. The reduction in net loss for the three months ended March 31, 2009 is substantially the result of increased of sales in Europe compared to the first quarter of 2008 which experienced higher levels of cancelled and deferred orders and reduced sales to the US heavy-duty truck market.

Summary of Quarterly Results

The following table shows selected unaudited financial information for the past eight quarters ending March 31, 2009. 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 Company's audited financial statements as at December 31, 2008 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)	June 30 2007	Sept 30 2007	Dec. 31 2007	Mar. 31 2008	June 30 2008	Sept 30 2008	Dec 31 2008	Mar 31 2009
Revenues								
Cylinder and system sales	5,838	8,481	5,367	3,242	3,517	5,484	6,771	5,796
Research & development income	2,259	1,322	1,150	1,196	1,443	1,399	1,277	1,057
Investment & other income	38	33	32	11	55	122	69	3
	8,135	9,836	6,549	4,449	5,015	7,005	8,117	6,856
Operating expenses								
Cost of goods sold	4,817	6,581	4,318	2,776	3,247	4,119	5,337	4,633
Marketing & general and admin.	1,350	1,489	1,457	1,186	1,251	1,221	1,295	1,313
Research & product development	1,184	1,391	1,426	1,186	1,312	1,009	1,200	909
	7,351	9,461	7,201	5,148	5,810	6,349	7,832	6,855
EBITDA ¹	784	375	(652)	(699)	(795)	656	285	1
Interest	33	58	60	68	108	106	113	69
Taxes	2,275	-	-	-	-	-	-	-
Stock based compensation	28	29	162	21	21	21	26	25
Foreign exchange loss (gain)	115	34	197	(347)	(93)	(64)	(263)	228
Depreciation & amortization	642	666	1,082	619	649	629	775	588
	3,093	787	1,501	361	685	692	651	910
Net loss	(2,309)	(412)	(2,153)	(1,060)	(1,480)	(36)	(366)	(909)
Net loss per share								
Basic and fully diluted	(0.11)	(0.02)	(0.10)	(0.05)	(0.07)	(0.00)	(0.02)	(0.04)

¹EBITDA is defined in the Reconciliation of non-GAAP Financial Measures section of the Management's Discussion and Analysis.

Intangible Assets and Deferred Costs - Expenditures

(thousands of Canadian dollars - unaudited)

	Three months ended March 31	
	2009	2008
Patents	2	4
Certification costs	158	210
Deferred Costs	2	-
	162	214

Intangible asset expenditures for the three months ended March 31, 2009 and 2008 were \$0.2 million. The additions for the first quarter of 2009 and 2008 were due to certification costs incurred during the period. The Company will invest in costs associated with product certification to ensure protection of our intellectual property, developed products and production processes.

Capital Expenditures

(thousands of Canadian dollars - unaudited)

	Three months ended March 31	
	2009	2008
Manufacturing equipment	93	53
Office furniture and other equipment	5	-
Computer hardware and software	-	4
Manufacturing equipment under construction	-	21
	98	78

Capital expenditures for the three months ended March 31, 2009 and 2008 were \$0.1 million. The additions for the first quarter of 2009 and 2008 were due to upgrades to manufacturing equipment.

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

Financial Resources and Liquidity

The Company's principle source of liquidity is cash generated from operations. The Company's principal liquidity requirements relate to the increase in working capital required to maintain our production, sales and research and development projects. The Company's actual funding requirements and financing alternatives could vary depending on a number of factors, including CNG system sales on a global basis, the progress of research and development projects, the Company's ability to improve controllable costs and the development of additional relationships with strategic partners.

As at March 31, 2009 Dynetek had cash of \$0.7 million, compared to \$3.8 million at December 31, 2008. Dynetek had a cash flow deficiency from operations of (\$2.8) million for the period ended March 31, 2009 compared to a cash flow deficiency of (\$0.6) million for the three months ended March 31, 2008. The majority of the first quarter cash flow deficiency in 2009 was the result of increased levels of inventory as the Company expects to have greater sales during the second quarter of 2009.

Actively managing working capital is key to ensuring cash is available to support funding of the Company's ongoing operations. The following table provides additional information on its working capital balances at March 31, 2009 as compared to December 31, 2008.

(thousands of Canadian dollars)	March 31, 2009	December 31, 2008	Change in working capital
Cash and Restricted cash	1,136	4,205	(3,069)
Accounts receivable	6,288	6,141	147
Inventory	14,719	12,994	1,725
Prepaid expenses and other	360	437	(77)
Operating bank line	-	-	-
Accounts payable and accrued liabilities	(6,207)	(6,420)	213
Deferred revenue	(548)	(1,051)	503
Current portion of long-term debt and capital lease	(640)	(536)	(104)
	15,108	15,770	(662)

At March 31, 2009 accounts receivable were \$6.3 million representing a slight increase of \$0.1 million when compared to December 31, 2008. This increase is representative of the increase in cylinder and system sales in the month of March 2009 compared to cylinder and system sales in the month of December 2008.

The Company's investment in inventory resulted in an increase of \$1.7 million to \$14.7 million at March 31, 2009 from December 31, 2008. The following table summarizes the inventory balance at March 31, 2009 compared to December 31, 2008.

(thousands of Canadian dollars)	March 31 2009	December 31 2008	Change
Raw materials	3,676	3,044	632
Work-in-progress	5,819	6,082	(263)
Finished goods	5,224	3,868	1,356
	14,719	12,994	1,725

Finished goods, substantially represented by confirmed orders to be delivered, increased by \$1.4 million to \$5.2 million. Raw materials increased by \$0.6 million to \$3.7 million as a result of increases of carbon fibre and aluminum pipe being held for production. Work-in-progress inventory decreased to \$5.8 million from \$6.1 million at December 31, 2008. The Company is expecting higher level of sales in the second quarter of 2009 and increased inventories to meet increased production demands.

Accounts payable at March 31, 2009 were \$6.2 million, compared to \$6.4 million as at December 31, 2008. This decrease is representative of the decrease in research and development expenses in the first quarter of 2009 when compared to research and development expenses in the fourth quarter of 2008.

The current portion of long-term debt relates to repayable research and development funding supplied by NRCan, a \$5.0 million mortgage with the BDC and a capital lease obligation.

The agreements with NRCan allow Dynetek to retain the intellectual property and to receive long-term funding. The debt is repayable only in the form of royalties based on specific related commercial product sales and is interest free. The Company has \$0.3 million to be repaid in 2009. During the first quarter of 2009, the Company did not receive funding from NRCan in the form of long-term debt.

The Company also has the ability to fund liquidity requirements through its \$3.5 million operating bank line of credit facility. As of March 31, 2009 and December 31, 2008, no amounts were drawn down on this credit facility. The bank line is secured by an assignment of book debts, inventory and a collateral mortgage. At March 31, 2009, the Company was not in compliance with the shareholders' equity covenant but in compliance with all other bank covenants. On April 9, 2009, the lender agreed to continue the credit facilities subject to correction of the default by June 30, 2009.

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, 2009, the Company purchased under normal terms and conditions \$2.4 million (2008 - \$0.6 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	Dollar Amount ('000)
Balance at December 31, 2008 and March 31, 2009	20,936,500	\$ 52,418
	March 31 2009	December 31 2008
Securities convertible into common shares:		
Stock options	1,261,500	1,561,500
Warrants	670,111	680,117

As at May 15, 2009, common shares outstanding were 20,936,500, options outstanding were 1,261,500 and warrants outstanding were 670,111.

Changes In Accounting Policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Handbook section 3064, Goodwill and Intangible Assets which replaced Handbook section 3062 "Goodwill and Other Intangible Assets". The revisions to standards dealing with goodwill and intangible assets gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. In addition, the revisions are intended to align the definition of an intangible asset in Canadian GAAP with that in International Financial Reporting Standards ('IFRS'). The adoption of Handbook section 3064 did not have a material impact on the unaudited interim consolidated financial statements.

International Financial Reporting Standards

In 2005, the Accounting Standards Board announced that accounting standards in Canada are to converge with IFRS and confirmed the conversion to IFRS in February 2008. The use of IFRS will be required by January 1, 2011 with appropriate comparative data from the prior year. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy that must be addressed.

The Company is in the process of transitioning to IFRS and designing the implementation process. It is expected there will be changes to the Company's current accounting policies and processes and information systems to implement the transition to IFRS. Conversion to IFRS will also consider analysis of key GAAP differences, required resources and

training. The full impact of adopting IFRS on the Company's future financial position and results cannot be reasonably determined at this time.

The following is an overview of the accounting standard changes that the Company will be required to adopt in future years:

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

Canadian Institute of Chartered Accountants ('CICA') Handbook Section 1582, Business Combinations, is effective for business combinations with an acquisition date after January 1, 2011. This standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure. Adopting this standard is expected to have a material effect on the method a company accounts for future business combinations. Entities adopting Handbook Section 1582 will also be required to adopt CICA Handbook Sections 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests. These standards will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity on the balance sheet. In addition, the income statement of the controlling parent will include 100 percent of the subsidiary's results and present the allocation between the controlling interest and non-controlling interest.

These standards will be effective January 1, 2011, with early adoption permitted. The changes resulting from adopting Handbook Section 1582 will be applied prospectively and the changes from adopting Sections 1601 and 1602 will be applied retrospectively.

Internal Control Over Financial Reporting ('ICFR')

The Management of the Company, including the Certifying Officers have evaluated whether there were any changes in the Company's internal control over financial reporting during the interim period ended March 31, 2009. No material changes in the Company's internal controls and procedures have occurred during the Company's most recent interim period, which have materially affected, or are reasonably likely to materially affect, the Company's IFCR.

As reported in the Company's 2008 annual MD&A, the Company concluded that, similar to other small companies, certain inherent weaknesses in the Company's ICFR exist due to its small size and its inability to segregate incompatible functions. The risk associated with these weaknesses is associated with the Company's ability to safeguard assets.

These weaknesses in ICFR result in a more than remote likelihood that a material misstatement would not be prevented or detected on a timely basis. The existence of these weaknesses is being compensated for by Senior Management review to mitigate the risk of material misstatement. The Company currently has no plans to fully remediate these weaknesses, however, the Company does continue to take steps to augment and improve the design of procedures and controls impacting these areas of weakness in ICFR. Management believes that it is not currently economically feasible to achieve complete segregation of incompatible duties. It should be noted that a control system, no matter how well conceived or operated can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.

Outlook

The Company remains committed to continuing to grow its CNG and Hydrogen revenue streams through targeted marketing initiatives. The Company will have a stronger short-term focus on its CNG activities due to a persistent economic lull in hydrogen market activities. However, Dynetek believes that the market for compressed hydrogen enabling technologies will continue to develop over the next few years in conjunction with nearer term hydrogen industry energy applications.

In 2009, the Company expects to increase its focus on revenue growth opportunities in the CNG market for bus and heavy-duty truck applications and for bulk hauling of larger quantities of compressed gas. The Company will continue to market and deliver its Mobile Gas Distribution System, a lightweight tube trailer designed for the gas utility industry. Currently, the Company continues to develop and test new products for the CNG market.

First Quarter 2009 Management's Discussion and Analysis

Major economic and environmental factors worldwide are contributing to high-growth in natural gas demand for vehicles as follows:

- The high growth rate in demand for natural gas stems from the comparative advantages of natural gas compared to diesel, gasoline and bio-fuels;
- Natural gas is cleaner with less toxic emissions than diesel or gasoline and is currently less costly;
- A growing natural gas infrastructure. Continuing investment in infrastructure is adding to the number of compressed natural gas refueling centers; and
- CNG will continue to develop as a transportation fuel as it currently is less costly than oil based fuels which are also becoming supply constrained in developing economies.

The above trends and related market opportunities are expected to create a positive intermediate and longer-term outlook for Dynetek. The Company does anticipate new legislation to improve and maintain the North American environment, which could lead to increased sales of its CNG systems. Turbulence in the global financial markets has negatively impacted the financial abilities of certain industries. In response, Dynetek will narrow its focus of its marketing activities to geographical areas that currently generate revenues for the Company or has potential to contribute significant revenue through CNG growth.

Dynetek expects to record increased revenue and EBITDA in the second quarter of 2009 due to increases in demand for its products, especially from European customers. The Company has forecasted for the second quarter of 2009 to surpass the financial results from the first quarter of 2009 and in comparison to the second quarter of 2008.

In response to the turbulent economic conditions experienced in North American and Europe during the fourth quarter of 2008 and first quarter of 2009, the Company continues to manage its costs responsibly and improve production efficiencies where possible. For the second quarter, the Company has reduced production and administrative staff to core levels and continues to review supplier alternatives.

Reconciliation of non-GAAP Financial Measures
EBITDA

GAAP Measures from Consolidated Statements of Net Loss, Comprehensive Loss and Deficit	Three months ended March 31	
	2009	2008
(thousands of Canadian dollars – unaudited)		
Net loss and Comprehensive Loss	(909)	(1,060)
Future income tax	-	-
Stock based compensation	25	21
Net foreign exchange loss (gain)	228	(347)
Depreciation and Amortization	588	619
Interest	69	68
Non-GAAP measure - EBITDA	1	(699)

Working Capital and Non-Cash Working Capital

GAAP Measures from Consolidated Balance Sheets	March 31, 2009	March 31, 2008
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(thousands of Canadian dollars – unaudited)

Accounts receivable	6,288	4,246
Inventory	14,719	10,633
Prepaid expenses and other	360	409
Accounts payable and accrued liabilities	(6,207)	(3,204)
Operating bank line	-	-
Deferred revenue	(548)	(1,458)
Current portion of long-term debt and capital lease	(640)	(389)
Non-GAAP measure – Non-Cash Working Capital	13,972	10,237
Add: Cash and Restricted cash	1,136	6,066
Non-GAAP measure - Working Capital	15,108	16,303

Management believes that presentation of these non-GAAP financial measures provides useful information to investors and shareholders.

Additional information relating to Dynetek

Additional information concerning Dynetek, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com under Dynetek Industries Ltd. and the Company's website www.dynetek.com.