



Dynetek Industries Ltd.
STORING ENERGY'S FUTURE

Dynetek Reports Fourth Consecutive Quarter of Positive EBITDA

Calgary, Alberta, Canada – August 13, 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 and six months ended June 30, 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 capital and per share data)
(unaudited)

	Three months ended		Six months ended	
	2009	June 30 2008	2009	June 30 2008
Total revenue	9,183	5,015	16,039	9,464
Net loss	(214)	(1,480)	(1,123)	(2,540)
Net loss per common share (basic and fully diluted)	(0.01)	(0.07)	(0.05)	(0.12)
EBITDA ⁽¹⁾	407	(795)	408	(1,494)
Cash	745	3,746	745	3,746
Non-cash working capital ⁽¹⁾	14,199	11,146	14,199	11,146
Working capital ⁽¹⁾	15,352	15,300	15,352	15,300
Total assets	41,656	41,417	41,656	41,417
Long-term debt and capital lease	6,812	7,259	6,812	7,259
Capital expenditures	(25)	70	31	148
Cash flow deficiency from operations	(626)	(1,713)	(3,447)	(2,365)
Weighted average common shares outstanding	20,936,500	20,936,500	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 and perform a better analysis of Dynetek's growth and profitability potential.

OPERATIONAL HIGHLIGHTS

Dynetek reports positive EBITDA for the fourth consecutive quarter and working capital in excess of \$15.0 million for the sixth consecutive quarter. Since the third quarter of 2008, Dynetek has generated EBITDA of \$1.3 million over the last four quarters. The Company's EBITDA for the six months ended June 30, 2009, was \$0.4 million compared to negative EBITDA of (\$1.5) million for the first six months of 2008. For the three months ended June 30 2009, Dynetek generated EBITDA of \$0.4 million that was \$1.2 million higher than the same three months of 2008. The increases in 2009 EBITDA were primarily achieved from Dynetek's European operations, improvements in production which resulted in increased productivity and continuation of cost saving strategies implemented during the second quarter of 2008.

In the first six months of 2009, cylinder and system revenue from the European operations increased 174% compared to the same period of 2008. The period over period increase, from \$4.4 million in the first half of 2008 to \$12.2 million in 2009, was attributed to stronger sales activities with European bus manufacturers. The increase in sales occurred despite recessionary factors present during the period. During the second quarter of 2009, the European operations produced cylinder and system revenue of \$7.3 million compared to \$2.1 million for the same quarter of 2008 and North American cylinder and system revenue was \$1.0 million compared to \$1.5 million for

the same quarter of 2008. Cylinder and system revenue from North American operations decreased from \$2.3 million for the first six months of 2008 to \$1.9 million for the same period of 2009. North American sales in 2009 have been impacted by additional customer requests to defer sales orders to the third quarter of 2009 and increased price competition. Dynetek's consolidated cylinder and system revenue was \$14.1 million for the first six months of 2009 compared to \$6.8 million for the same six months of 2008, an increase of 108%.

For the six months ended June 30, 2009, the Company recognized research and development revenue of \$1.9 million, compared to \$2.6 million for the same period of 2008. The decrease reflects that Dynetek will complete the final milestone of its major hydrogen fuel storage system contract by September 30, 2009. Dynetek continues to source new research and development projects with various Original Equipment Manufacturers but such projects have been smaller scale compared to its current major hydrogen system contract.

The increases in revenue and EBITDA for the first six months of 2009, resulted in Dynetek recording a smaller year-to-date loss in 2009, (net loss of \$1.1 million or net loss of \$0.05 per common share), compared to the same period of 2008 (net loss of \$2.5 million or net loss of \$0.12 per common share). During the second quarter of 2009, Dynetek recorded a net loss of (\$0.2) million (net loss of \$0.01 per common share) compared to a net loss of (\$1.5) million (net loss of \$0.07 per common share) for the second quarter of 2008.

The Company continues to maintain consistent levels of liquidity. At June 30, 2009 working capital was \$15.3 million, compared to \$15.8 million at December 31, 2008. The Company's quarterly working capital has been in excess of \$15.0 million since the start of 2008. Maintaining consistent levels of working capital will allow Dynetek to maintain production levels and increase its ability to fund projects related to sales and research and development.

OUTLOOK

The Company remains committed to growing 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 slowdown 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. Dynetek's non-permeable cylinders makes it a leading storage solution for hydrogen vehicles and Dynetek believes it will be able to enhance its market leader position in hydrogen storage systems when opportunities arise.

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

- There is belief that natural gas is the only fuel that can significantly displace the reliance on foreign oil in the United States.
- Worldwide adoption of NGVs continues to be strong.
- Currently, compressed natural gas is up to 60% cheaper than diesel.
- A growing natural gas infrastructure. Continuing investment in infrastructure is adding to the number of compressed natural gas refueling centers.

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 including its own 20 foot container for gas transportation purposes and a CNG Type II cylinder.

Dynetek is exploring new opportunities in Asia and Europe and recently received approvals from several Asian countries to supply cylinders and cylinder systems. In addition, Dynetek's European operations continue to see a recovery within the European market, particularly the European bus market. 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.

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.

Dynetek expects to record positive EBITDA in the third quarter of 2009 due to increases in demand for its products and deferral of North American orders into this quarter. The Company has forecasted operating results for the third quarter of 2009 to be similar to those of the second quarter. With the re-structuring of the North American sales management, Dynetek has implemented a new strategy for North America, allowing the Company to be more competitive. These changes were required as Dynetek believes there will be continued growth in the NGV segment and the Company will pursue such markets.

In response to the recessionary conditions experienced in North American and Europe, the Company continues to manage its costs responsibly and improve production efficiencies where possible. During the second quarter of 2009, the Company 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 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 June 30, 2009 and December 31, 2008 and results of operations for the three and six months ended June 30, 2009 and 2008 and is based on information available as at August 10, 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 and 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.

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Non-cash working capital ⁽¹⁾	14,199	11,146	14,199	11,146
Working capital ⁽¹⁾	15,352	15,300	15,352	15,300
Total assets	41,656	41,417	41,656	41,417
Operating bank line	750	-	750	-
Long-term debt and capital lease	6,812	7,259	6,812	7,259
Weighted average common shares outstanding	20,936,500	20,936,500	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 six months ended June 30, 2009 were \$14.1 million, an increase of 108% from \$6.8 million for the same period of 2008. Cylinder and system sales for the three months ended June 30, 2009 were \$8.3 million, an increase of \$4.8 million or 136% for the same period in 2008. The increase in cylinder and system sales was the result of strong sales activities from its European bus manufacturer customers. Despite recessionary factors, Dynetek's European operations exceeded budgeted revenue for the first six months of 2009. The European operations experienced lower cylinder and system sales during the first six months of 2008 due to an increase in deferral of orders. In the first six months of 2009, Dynetek's European operations achieved cylinder and system sales of \$12.2 million (2008 - \$4.5 million). In the three months ended June 30, 2009, the European operations achieved cylinder and system sales of \$7.3 million (2008 - \$2.1 million). Cylinder and system sales from the North American operations for the six months ended June 30, 2009 were \$1.9 million, compared to \$2.3 million for the same period of 2008. The cylinder and system sales from the North American operations for the three months ended June 30, 2009 were \$1.0 million compared to \$1.5 million for the second quarter of 2008. North American cylinder and system sales for the first half of 2009 were impacted by additional requests from customers to defer sales orders to the third quarter of 2009 and increased price competition.

Research and development income for the six months ended June 30, 2009 was \$1.9 million, down 26% or \$0.7 million from the same period in 2008. Research and development income for the three months ended June 30, 2009 was \$0.9 million, down 38% or \$0.5 million from the same period in 2008. During the six months and three months ended June 30, 2009, research and development revenue was lower due to lower revenues being recognized from the Magna Steyr purchase order involving the design, certification and supply of 700 bar compressed hydrogen fuel storage systems. The Magna Steyr purchase order will likely be completed by September 30, 2009 when Dynetek delivers the third and final milestone. In addition, there have been fewer opportunities for new hydrogen projects in 2009. Dynetek continues to be involved in research and development projects with Original Equipment Manufacturers ("OEMs") but projects have been smaller scale compared to the Magna Steyr purchase order. 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.

Cost of goods sold was \$11.0 million for the six months ended June 30, 2009 compared to \$6.0 million for the same period in 2008. Corresponding contribution margins for the six months ended June 30, 2009 were \$3.0 million, or 21% of cylinder and system sales compared to \$0.8 million or 11% of sales for the same period of 2008. Cost of goods sold was \$6.4 million for the three months ended June 30, 2009 compared to \$3.2 million for the same period in 2008. Corresponding contribution margins for the three months ended June 30, 2009 were \$1.9 million, or 22% of cylinder and system sales compared to \$0.3 million or 8% of sales for the same period of 2008. The margin increases for the three and six months ended June 30, 2009 compared to the same period of 2008 is due to the increase in cylinder and system sales

during 2009 and selling at reduced margins in order to maintain sales, resulting in less revenue to cover fixed costs during the first half of 2008.

General and administrative expense was \$1.8 million for the six months ended June 30, 2009 which was comparable to the same period of 2008. General and administrative expense was \$0.9 million for the three months ended June 30, 2009, which was also comparable to the second quarter of 2008. General and administrative expense as a percentage of revenue for the six months ended June 30, 2009 was 11% compared to 18% for the same period of 2008. General and administrative expense as a percentage of revenue for the three months ended June 30, 2009 was 9% compared to 18% for the same period of 2008. The increase in cylinder and system sales for the three and six months ended June 30, 2009 resulted in the improvement of general and administrative expense as a percentage of revenue.

Research and product development expense was \$1.8 million for the six months ended June 30, 2009 compared to \$2.5 million for the same period in 2008. Research and product development expense was \$0.9 million for the three months ended June 30, 2009 compared to \$1.3 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 decreases in expenses for the three and six month periods ended June 30, 2009 are reflective of the decrease in research and development revenue in the first half of 2009. There were severance amounts paid to certain research and development employees in 2008 that did not occur in 2009. During the first six months 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 2008.

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. 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 \$1.0 million for the six months ended June 30, 2009, an increase of \$0.3 million, compared to the same period of 2008. Marketing expense was \$0.6 million for the three months ended June 30, 2009, an increase of \$0.2 million to the same period of 2008. The increase in marketing expense was due to costs, such as commissions, related to increased sales in Europe during the first half of 2009. Marketing expense decreased to 6% of revenue for the six months ended June 30, 2009 compared to 7% for the same period of 2008. Marketing expense decreased to 6% of revenue for the three months ended June 30, 2009 compared to 8% for the same period of 2008. The three and six month decreases in marketing expense as a percentage of revenue reflects the increase in European sales in each of the periods.

Interest Expense of \$143 thousand for the six months ended June 30, 2009 was comparable to the same period of 2008. Interest expense for the second quarter of 2009 and 2008 was also comparable. Interest expense from the \$5.0 million mortgage was recognized during the first six months of 2009. The \$5.0 million mortgage was obtained in March 2008 and interest expense from the mortgage was not recognized for the entire period in 2008. However, the 2008 interest expense also included transaction costs of \$33 thousand relating to costs of obtaining the mortgage.

Depreciation was \$0.7 million for the six months ended June 30, 2009, which was slightly lower by \$0.1 million when compared to the same period of 2008. Depreciation was \$0.3 million for the three months ended June 30, 2009, which was \$0.1 million lower compared to the same period of 2008. The decreases were due to lower amounts of capital expenditures by Dynetek since the third quarter of 2008.

Amortization was \$0.5 million for the six months ended June 30, 2009, which is comparable to the same period of 2008. Amortization was \$0.3 million for the three months ended June 30, 2009, which is comparable to the same period of 2008. Items included in amortization expense include process and development costs, patents and deferred start-up costs for the European operation.

Foreign exchange for the six months ended June 30, 2009 was a loss of \$0.2 million compared to a gain of \$0.4 million in the same period of 2008. Foreign exchange for three months ended June 30, 2009 was a gain of \$0.1 million which was comparable to the same period of 2008. Dynetek's Canadian operations 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 six months of 2009 is a result of a weakening of the U.S. dollar and the Euro against the Canadian dollar, resulting in a negative impact on the foreign denominated accounts receivable and cash when translating into Canadian dollars and settlement of accounts receivable transactions during the period.

Stock based compensation for six months ended June 30, 2009 was \$50 thousand compared to \$42 thousand in the same period of 2008. Stock based compensation for three months ended June 30, 2009 was \$25 thousand compared to \$21 thousand in the same period of 2008. The reduction of stock based compensation for the three and six month periods ended June 30, 2009 is due to a reduction in options issued.

Net Loss for the six months ended June 30, 2009 was (\$1.1) million or (\$0.05) per common share compared to a net loss of (\$2.5) million or (\$0.12) per common share for the comparable period of 2008. Net Loss for the three months ended June 30, 2009 was (\$0.2) million or (\$0.01) per common share compared to net loss of (\$1.5) million or (\$0.07) per common share for the comparable period of 2008. The reduction in net loss for the three and six months ended June 30, 2009 is substantially the result of increased sales from Dynetek's European operations.

Summary of Quarterly Results

The following table shows selected unaudited financial information for the past eight quarters ending June 30, 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)	Sept 30 2007	Dec. 31 2007	Mar. 31 2008	June 30 2008	Sept 30 2008	Dec 31 2008	Mar 31 2009	June 30
(unaudited)								
Revenues								
Cylinder and system sales	8,481	5,367	3,242	3,517	5,484	6,771	5,796	8,284
Research & development income	1,322	1,150	1,196	1,443	1,399	1,277	1,057	896
Investment & other income	33	32	11	55	122	69	3	3
	9,836	6,549	4,449	5,015	7,005	8,117	6,856	9,183
Operating expenses								
Cost of goods sold	6,581	4,318	2,776	3,247	4,119	5,337	4,633	6,420
Marketing & general and admin.	1,489	1,457	1,186	1,251	1,221	1,295	1,313	1,418
Research & product development	1,391	1,426	1,186	1,312	1,009	1,200	909	938
	9,461	7,201	5,148	5,810	6,349	7,832	6,855	8,776
EBITDA ¹	375	(652)	(699)	(795)	656	285	1	407
Interest	58	60	68	108	106	113	69	74
Taxes	-	-	-	-	-	-	-	-
Stock based compensation	29	162	21	21	21	26	25	25
Foreign exchange loss (gain)	34	197	(347)	(93)	(64)	(263)	228	(62)
Depreciation & amortization	666	1,082	619	649	629	775	588	584
	787	1,501	361	685	692	651	910	621
Net loss	(412)	(2,153)	(1,060)	(1,480)	(36)	(366)	(909)	(214)
Net loss per share								
Basic and fully diluted	(0.02)	(0.10)	(0.05)	(0.07)	(0.00)	(0.02)	(0.04)	(0.01)

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 June 30		Six months ended June 30	
	2009	2008	2009	2008
Patents	-	8	2	12
Certification costs	40	77	198	287
Deferred Costs	-	-	2	-
	40	85	202	299

Intangible asset expenditures for the six months ended June 30, 2009 were \$0.2 million compared to \$0.3 million for the same period of 2008. Intangible asset expenditures for the three months ended June 30, 2009 were less than \$0.1 million compared to \$0.1 million for the same period of 2008. The additions for the three and six months ended June 30, 2009 were due to certification and patent costs incurred during the period. The Company will invest in patents and costs associated with product certification in future years to ensure protection of its intellectual property, developed products and production processes.

Capital Expenditures

 (thousands of Canadian dollars)
 (unaudited)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Building and leaseholds	-	34	-	34
Manufacturing equipment	(39)	76	54	129
Office furniture and other equipment	(5)	-	-	-
Computer hardware and software	-	5	-	9
Manufacturing equipment under construction	19	(45)	19	(24)
	(25)	70	73	148

Capital expenditures for the six months ended June 30, 2009 were \$0.1 million, comparable for the same period in 2008. Capital expenditures for the three months ended June 30, 2009 were less than \$0.1 million compared to \$0.1 million for the same period in 2008.

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

Financial Resources and Liquidity

The Company's principal 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 June 30, 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 (\$3.4) million for the period ended June 30, 2009 compared to a cash flow deficiency from operations of (\$2.4) million for the six months ended June 30, 2008. The cash flow deficiency in the first half of 2009 is indicative of the cash cycle required to purchase an inventory of raw materials, manufacture orders from the customer and collect the accounts receivable from the customer. During the first quarter of 2009, Dynetek increased inventory levels by \$1.7 million to fulfill increased levels of sales in 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 June 30, 2009 as compared to December 31, 2008.

(thousands of Canadian dollars)	June 30 2009	December 31 2008	Change in working capital
Cash and restricted cash	1,153	4,205	(3,052)
Accounts receivable	8,339	6,141	2,198
Inventory	12,475	12,994	(519)
Prepays and other	283	437	(154)
Operating bank line	(750)	-	(750)
Accounts payable and accrued liabilities	(5,229)	(6,420)	1,191
Deferred revenue	(188)	(1,051)	863
Current portion of long-term debt and capital lease	(731)	(536)	(195)
	15,352	15,770	(418)

At June 30, 2009 accounts receivable were \$8.3 million, representing an increase of \$2.2 million when compared to December 31, 2008. This increase is primarily the result of increased sales from the German operations in the second quarter of 2009. Inventory decreased by \$0.5 million at June 30, 2009 when compared to December 31, 2008. The Company has reduced inventory since March 31, 2009 as the Company fulfilled customer orders in the second quarter. Inventory is expected to continue to decrease in the third quarter of 2009 as the Company fulfills its backlog of sales orders.

The Company's investment in inventory decreased by \$0.5 million to \$12.5 million at June 30, 2009 compared to December 31, 2008. The following table summarizes the inventory balance at June 30, 2009 compared to December 31, 2008.

(thousands of Canadian dollars)	June 30 2009	December 31 2008	Change
Raw materials	3,093	3,044	49
Work-in-progress	5,325	6,082	(757)
Finished goods	4,057	3,868	189
	12,475	12,994	(519)

Work-in-progress, substantially represented by confirmed orders, decreased by \$0.8 million to \$5.3 million. The decrease is the result of timing of the production dates for customer orders. Raw materials remained at \$3.1 million as levels of carbon fibre and aluminum tube remained constant. Finished goods inventory increased by \$0.2 million to \$4.1 million from \$3.9 million at December 31, 2008.

Accounts payable at June 30, 2009 were \$5.2 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 second quarter of 2009 when compared to research and development expenses the fourth quarter of 2008.

Deferred revenue at June 30, 2009 was \$0.2 million, a decrease of \$0.9 million, compared to \$1.1 million at December 31, 2008. The decrease is the result of the near completion of the Magna Steyr development contract. Dynetek expects to complete the final milestone of this contract by September 30, 2009.

Current portion of long-term debt and capital lease relates to repayable research and development funding supplied by Natural Resources Canada ("NRCan"), a mortgage with the Business Development Bank of Canada ("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 six months of 2009, the Company did not receive funding from NRCan in the form of long-term debt. Principal repayments for the BDC mortgage will begin in September 2009. Since the inception of the BDC mortgage in March 2008, the repayments have only been for interest expense.

The Company also has the ability to fund liquidity requirements through its \$2.75 million operating bank line. On June 22, 2009, the Company agreed with the lender to reduce the operating bank line from \$3.5 million to \$2.75 million. Other operating bank line revisions included setting the interest rate per annum at the bank prime rate plus 2% and a reduction to the shareholders' equity covenant from \$28.5 million to \$26.0 million. Other major terms and security for the operating bank line remained the same. At June 30, 2009, the Company had drawn \$0.75 million on this facility and was in compliance with all bank covenants. No amounts were drawn down on this credit facility at March 31, 2009 and December 31, 2008.

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 and six months ended June 30, 2009, the Company purchased under normal terms and conditions \$0.4 million (2008 - \$1.3 million) and \$2.5 million (2008 - \$1.9 million), respectively, 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 June 30, 2009 and December 31, 2008	20,936,500	52,418
	June 30 2009	December 31 2008
Securities convertible into common shares:		
Stock options	1,311,500	1,561,500
Warrants	670,111	680,117

As at August 10, 2009, common shares outstanding were 20,936,500, options outstanding were 1,311,500 and warrants outstanding were 670,111.

CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants ("CICA") 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.

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

Financial Instruments – Disclosures

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments – Disclosures, to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. These disclosures will become effective for the Company's December 31, 2009 annual consolidated financial statements. We do not expect these amendments to have a significant impact on the Company's results of operations or financial position.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

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.

International Financial Reporting Standards (“IFRS”)

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.

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 June 30, 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 and involvement to mitigate the risk of material misstatement. However, these mitigating procedures are not considered sufficient to reduce the likelihood that a material misstatement would not be prevented or detected. The Company currently

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has no plans to fully remediate these weaknesses, as Management believes that it is not currently economically feasible to achieve complete segregation of incompatible duties. As the Company grows, there would be plans to expand the number of individuals to segregate incompatible functions. 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 growing 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 slowdown 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. Dynetek's non-permeable cylinders makes it a leading storage solution for hydrogen vehicles and Dynetek believes it will be able to enhance its market leader position in hydrogen storage systems when opportunities arise.

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

- There is belief that natural gas is the only fuel that can significantly displace the reliance on foreign oil in the United States.
- Worldwide adoption of NGVs continues to be strong.
- Currently, compressed natural gas is up to 60% cheaper than diesel.
- A growing natural gas infrastructure. Continuing investment in infrastructure is adding to the number of compressed natural gas refueling centers.

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 including its own 20 foot container for gas transportation purposes.

Dynetek is exploring new opportunities in Asia and Europe and recently received approvals from several Asian countries to supply cylinders and cylinder systems. In addition, Dynetek's European operations continue to see a recovery within the European market, particularly the European bus market. 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.

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.

Dynetek expects to record positive EBITDA in the third quarter of 2009 due to increases in demand for its products and deferral of North American orders into this quarter. The Company has forecasted operating results for the third quarter of 2009 to be similar to those of the second quarter. With the re-structuring of the North American sales management, Dynetek has implemented a new strategy for North America, allowing the Company to be more competitive. These changes were required as Dynetek believes there will be continued growth in the NGV segment and the Company will pursue such markets.

In response to the recessionary conditions experienced in North American and Europe, the Company continues to manage its costs responsibly and improve production efficiencies where possible. During the second quarter of 2009, the Company 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 June 30		Six months ended June 30	
(thousands of Canadian dollars – unaudited)	2009	2008	2009	2008
Net loss and Comprehensive Loss	(214)	(1,480)	(1,123)	(2,540)
Future income tax	-	-	-	-
Stock based compensation	25	21	50	42
Net foreign exchange (gain) loss	(62)	(93)	166	(440)
Depreciation and Amortization	584	649	1,172	1,268
Interest	74	108	143	176
Non-GAAP measure - EBITDA	407	(795)	408	(1,494)

Working Capital and Non-Cash Working Capital

GAAP Measures from Consolidated Balance Sheets	June 30 2009	June 30 2008
(thousands of Canadian dollars – unaudited)		
Accounts receivable	8,339	5,370
Inventory	12,475	10,241
Prepays and other	283	319
Accounts payable and accrued liabilities	(5,229)	(3,243)
Operating bank line	(750)	-
Deferred revenue	(188)	(1,150)
Current portion of long-term debt and capital lease	(731)	(391)
Non-GAAP measure – Non-Cash Working Capital	14,199	11,146
Add: Cash and Restricted cash	1,153	4,154
Non-GAAP measure - Working Capital	15,352	15,300

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.