Dynetek Industries Ltd. Announces Third Quarter 2008 Results

Calgary, Alberta, Canada – November 14, 2008 – 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 and nine months ended September 30, 2008. 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 September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
Total Revenue	**7,005**	9,836	**16,469**	28,481
Net loss before taxes	**(36)**	(412)	**(2,576)**	(199)
Net loss	**(36)**	(412)	**(2,576)**	(2,554)
Net loss per common share (basic and fully diluted)	**(0.00)**	(0.02)	**(0.12)**	(0.12)
EBITDA [1]	**656**	375	**(838)**	2,069
Cash and cash equivalents	**2,898**	861	**2,898**	861
Non-cash working capital [1]	**12,782**	11,649	**12,782**	11,649
Working capital[1]	**15,680**	12,510	**15,680**	12,510
Total assets	**43,368**	42,065	**43,368**	42,065
Long-term debt and capital leases	**7,168**	1,518	**7,168**	1,518
Capital expenditures	**56**	86	**204**	817
Cash flow (deficiency) from operations	**(1,066)**	(12)	**(3,431)**	981
Weighted average common shares outstanding	**20,936,500**	20,940,451	**20,936,500**	20,940,451

(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, net foreign exchange, depreciation, and amortization. Dynetek defines non-cash working capital as current assets less cash and current liabilities and working capital as current assets less current liabilities. Dynetek 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 Dynetek's growth and profitability potential.

OPERATIONAL HIGHLIGHTS

Dynetek reported positive EBITDA of $0.7 million for the third quarter of 2008, reversing the trend from the previous three quarters, which reported negative EBITDA. The positive EBITDA was attributable to increased revenues, cost saving strategies implemented during the second quarter of 2008 and improvements in production which resulted in increased productivity. These improvements allowed Dynetek to record an insignificant net loss for the third quarter.

Revenue continues to rebound and grow quarter over quarter in 2008. Q1 revenue was $4.5 million, increasing to $5.0 million for the second quarter and increasing again to $7.0 million for the third quarter. In the Outlook section of the MD&A for the year ended December 31, 2007, Dynetek indicated that it expected to incur a loss and negative EBITDA[1] in Q1 and Q2 2008, due to the slowdown in the demand for its products resulting from the postponement of public bus manufacturing in Europe.

In the first nine months of 2008, Dynetek achieved total revenues of $16.5 million, a decrease of 42% compared to $28.5 million for the same period of 2007, primarily due to cylinder and system sales decreasing 48% compared to the same period of 2007. For the nine months ended September 30, 2008 the Company achieved research and development revenue of $4.0 million, a decrease of 10% compared to $4.5 million for the same period of 2007. The net loss of $2.6 million for the first nine months of 2008 approximated the net loss for the same period in 2007 with net loss per common share of $0.12 (basic and diluted) for each of 2008 and 2007. Cash flow deficiency from operations for the nine months ended September 30, 2008 was ($3.4) million compared to cash flow from operations of $1.0 million for the same period of 2007.

The Company continues to focus its compressed natural gas (“CNG”) cylinder and system sales in areas such as California, Europe and new markets where the use of CNG is a commercial driver for transit authorities as well as other fleet operators. 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.

Dynetek’s research and development team continues to focus its efforts on compressed hydrogen and related storage requirements. During 2008, the Company continued to work with NRCan and 9 different OEMs, including Ford, Hyundai, Volkswagen, Daimler and Nissan, to design, manufacture and deliver the hydrogen storage solution on 13 confidential development programs. In addition, Dynetek previously announced on September 10, 2008 that it is working with two large international vehicle OEMs in developing a new and innovative light weight hydrogen storage system for Fuel Cell Vehicles which will improve the cylinder weight, performance and costs. The two OEMs are contributing 50% of the project costs. The project is scheduled to be completed in the fourth quarter of 2009.

On June 18, 2008, Dynetek Europe GmbH received a CNG complete system order from a major bus manufacturer in Europe. Dynetek will provide a complete system solution offering a lower overall system weight with increased fuel on board the vehicle. These systems, which had deliveries beginning in June and will continue through to the second quarter of 2009, represent revenue of approximately CDN $10 million. Previously, completion of deliveries was estimated to have been February 2009. Approximately 20% of the deliveries have been completed by the end of the third quarter of 2008.

In the first nine months of 2008 Dynetek continued to provide deliverables under the milestones for the 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, including related engineering, to Magna Steyr in connection with Daimler’s fuel cell program. Two of three major contract milestones are expected to be completed by December 31, 2008.

Dynetek also announces that Robb Thompson has resigned as a Director. Heinz Portmann, on behalf of the Board of Directors of Dynetek, thanks Robb Thompson for his years of service and his valuable contributions to Dynetek.

OUTLOOK

The Company remains committed to continuing to grow its CNG and Hydrogen revenue streams globally through targeted marketing initiatives.

The Company expects to increase its focus on revenue growth opportunities worldwide in the CNG market for bus and heavy-duty truck applications and for bulk hauling of larger quantities of compressed gas. 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 largest demand for CNG vehicles is in countries where low cost solutions are required. The Company is currently reviewing strategies to grow the compressed gas system revenue and is evaluating additional product development and sales in order to penetrate price sensitive markets that are actively developing CNG as a transportation fuel. To accomplish this product development and market penetration, the Company will also be evaluating strategic alliances, new joint ventures, new partners and customers, licensing arrangements, new manufacturing techniques and additional product offerings. The Company is committed to change where appropriate to attain its goals of revenue growth and net income.

In the area of bulk hauling, the Company's prime focus will be in markets with access to an abundance of natural gas, where storage technology and pipeline infrastructure are lacking. The Company has previously obtained US Department of Transportation (DOT) and Transport Canada (TC) certification for its 223bar bulk hauling system and in May 2008, the Company received DOT approval to sell its 450 bar bulk systems in the US.

Dynetek currently expects revenue in the fourth quarter to be comparable to the third quarter of 2008. Dynetek continues to monitor the impact from the postponement of public transit bus manufacturing in Europe, which began at the end of the third quarter of 2007. It is anticipated that the ongoing cost savings strategies implemented during the second quarter of 2008 will reduce the negative impact from the postponement of public bus manufacturing in Europe. The Company will continue to manage its costs responsibly and improve production efficiencies where possible. The Company reduced production and research and development staff to core levels, reduced executive compensation and continued to review supplier alternatives as part of its cost savings strategies in the second quarter. In addition, Dynetek's Board of Directors recently suspended the payment of all Board fees.

The Company will continue to develop its hydrogen storage technologies to assist in commercializing the hydrogen economy. This includes working with OEMs to implement their hydrogen vehicle strategies and sales to energy-related companies that require mobile refueling units, stationary storage for refueling, and bulk hauling of hydrogen.

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, 2007 and quarterly interim financial statements for 2008. 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 September 30, 2008 and December 31, 2007 and results of operations for the three and nine months ended September 30, 2008 and 2007 and is based on information available as at November 14, 2008. The interim management's discussion and analysis ("MD&A") updates Dynetek's 2007 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, net foreign exchange, depreciation, and amortization. Dynetek defines working capital as current assets less current liabilities. 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 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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(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 MD&A.

Dynetek reported positive EBITDA[(1)] of $0.7 million for the third quarter of 2008, reversing the trend from the previous three quarters, which reported negative EBITDA. The positive EBITDA was attributable to increased revenues, cost saving strategies implemented during the second quarter of 2008 and improvements in production which resulted in increased productivity. These improvements allowed Dynetek to record an insignificant net loss for the third quarter.

Revenue continues to rebound and grow quarter over quarter in 2008. Q1 revenue was $4.5 million, increasing to $5.0 million for the second quarter and increasing again to $7.0 million for the third quarter. In the Outlook section of the MD&A for the year ended December 31, 2007, Dynetek indicated that it expected to incur a loss and negative EBITDA in the first and second quarter of 2008, due to the slowdown in the demand for its products resulting from the postponement of public bus manufacturing in Europe.

Cylinder and system sales for the nine months ended September 30, 2008 were $12.2 million, down 48% from $23.6 million for the same period of 2007. Cylinder and system sales for the three months ended September 30, 2008 were $5.5 million, down $3.0 million or 35% from the same period in 2007. In the first nine months of 2008 Dynetek was unable to maintain the same levels in sales as in the same period of 2007 due to the slowdown in tender activities by and deliveries to the European bus market, a reduction of sales into the US heavy-duty truck market and increased competition in North America and Europe. In the first nine months of 2008, Dynetek's European operations achieved cylinder and system sales of $7.4 million (2007 - $13.5 million). In the three months ended September 30, 2008, Dynetek's European operations achieved cylinder and system sales of $2.9 million (2007 - $4.6 million). The cylinder and system sales from the Canadian operations for the nine months ended September 30, 2008 were $4.8 million (2007 - $10.1 million). The cylinder and system sales from the Canadian operations for the three months ended September 30, 2008 were $2.6 million (2007 - $3.9 million).

Research and development income for the nine months ended September 30, 2008 was $4.0 million, down 10.2% or $0.5 million from the same period in 2007. Research and development income for the three months ended September 30, 2008 was $1.4 million, an increase of 6% or $0.1 million from the same period in 2007 as a result of recognizing revenue from the Magna Steyr purchase order. However, during the nine months ended September 30, 2008 the research and development revenue was lower than the same period of 2007 due to lower revenues being recognized from the same purchase order involving the design, certification and supply of 700 bar compressed hydrogen fuel storage systems. The reduction was partially offset by additional research and development projects with OEMs that began in the period. During the first nine months of 2008, Dynetek continued to be involved with Natural Resources Canada (NRCan) and 9 different Original Equipment Manufacturers ("OEMs"), including Ford, Hyundai, Daimler, Volkswagen and Nissan, to design, manufacture and deliver the hydrogen storage solution on 13 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. On September 10, 2008, Dynetek announced a new Research and Development contract with two OEMs to develop a new, innovative and lightweight hydrogen storage system for fuel cell vehicles. The development will include improvements in the cylinder weight, performance and costs. The results of this project should be Dynetek being a step closer to storage targets set out by the U.S. Department of Energy. The two OEMs are funding 50% of the costs of the project for total contributions of USD $0.75 million.

Investment and other income for the nine months ended September 30, 2008 was $0.2 million, compared to $0.3 million for the same period in 2007. Investment and other income for the three months ended September 30, 2008 was $0.1 million, compared to less than $0.1 million for the same period in 2007. The nine month decrease in 2008 reflects a one-time sale of shares of a private company in the first quarter of 2007. The three month increase reflects the interest income earned on cash in bank and proceeds from a minor insurance claim.

Cost of goods sold was $10.1 million for the nine months ended September 30, 2008 compared to $19.0 million for the same period in 2007. Corresponding contribution margins for the nine months ended September 30, 2008 were $2.1 million, or 17% of sales compared to $4.6 million or 20% of sales for the same period of 2007. Cost of goods sold was $4.1 million for the three months ended September 30, 2008 compared to $6.6 million for the same period in 2007. Corresponding contribution margins for the three months ended September 30, 2008 were $1.4 million, or 25% of sales compared to $1.9 million or 22% of sales for the same period of 2007. The margin reduction for the first nine months of 2008, compared to the same period of 2007, is due to reduced sales in the first two quarters of 2008 and selling at reduced margins in order to maintain sales, resulting in less revenue to cover fixed costs. The contribution margins for the third quarter of 2008, compared to 2007, increased due to the cost saving strategies and production improvements implemented in the second quarter of 2008.

General and administrative expense was $2.6 million for the nine months ended September 30, 2008 compared to $2.9 million for the same period of 2007. General and administrative expense was $0.8 million for the three months ended September 30, 2008 compared to $0.9 million for the same period of 2007. The three and nine month decreases are the result of lower administrative costs in the Dynetek Europe operations reflecting expenses associated with the move of Dynetek Europe's office and plant in 2007. General and administration expense as a percentage of revenue for the nine months ended September 30, 2008 was 16% compared to 10% for the same period of 2007. General and administration expense as a percentage of revenue for the three months ended September 30, 2008 was 12% compared to 10% for the same period of 2007. As a percentage of revenue, the three and nine month increases reflect the reduction in sales for the three and nine months ended September 30, 2008 as compared to the same period of 2007, with a large portion of General and administrative expense being fixed costs.

Research and product development expense was $3.5 million for the nine months ended September 30, 2008 compared to $3.2 million for the same period in 2007. Research and product development expense was $1.0 million for the three months ended September 30, 2008 compared to $1.4 million for the same period in 2007. The increase in expenses for the nine month period ended September 30, 2008 are the result of the deliverables made in the period for the Magna project, having lower margins than the deliverables made in the comparative periods of 2007. Also, there were severance amounts paid to certain research and development employees in 2008 that did not occur in the comparative period of 2007. The severances will enable the Company to realize future cost savings from the Research and product development department. Research and development expense consists of materials, labor 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. During the first nine months of 2008, Dynetek continued to provide deliverables under the milestones for the Magna Steyr contract relating to the Daimler Chrysler fuel cell program.

Marketing expense was $1.1 million for the nine months ended September 30, 2008, which is $0.2 million less compared to the same period of 2007. Marketing expense was $0.4 million for the three months ended September 30, 2008, which is $0.1 million less when compared to the same period of 2007. Marketing expense increased to 7% of revenue for the nine months ended September 30, 2008 compared to 4% of revenue for the same period of 2007. Marketing expense was 6% of revenue for the three months ended September 30, 2008, which is comparable for the same period of 2007. The year-to-date increase in marketing expense as a percentage of sales reflects the reduction in sales in the periods and more marketing activity in foreign countries.

Interest expense was $0.3 million for the nine months ended September 30, 2008 compared to $0.2 million for the same period of 2007. Interest expense was $0.1 million for the three months ended September 30, 2008, compared to less than $0.1 million for the same period of 2007. The increase in interest expense for the three and nine month periods ended September 30, 2008 are reflective of the $5.0 million mortgage obtained in March 2008 that did not exist in the comparative period of 2007. The 2008 interest expense also included transaction costs related to the mortgage obtained during the period.

Depreciation was $1.1 million for the nine months ended September 30, 2008, which is comparable to the same period of 2007. Depreciation was $0.4 million for the three months ended September 30, 2008, which is comparable to the same period of 2007.

Amortization was $0.8 million for the nine months ended September 30, 2008, which is $0.1 million higher than the same period of 2007. Amortization was $0.3 million for the three months ended September 30, 2008, which is comparable to the same period of 2007. Items included in amortization expense include process and development costs, patents and deferred start-up costs for the European operation.

Net foreign exchange (gain) loss for the nine months ended September 30, 2008 was a gain of $0.5 million compared to a loss of $0.1 million in the same period of 2007. Foreign exchange for three months ended September 30, 2008 was a gain of $0.1 million compared to a minimal loss in the same period of 2007. Dynetek's Canadian operations recognize the majority of its revenue in US dollars and the European operation 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 three and nine months of 2008 is a result of a strengthening U.S. dollar and the Euro appreciating against the Canadian dollar. This resulted in a positive 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 nine months ended September 30, 2008 was $0.1 million which is comparable to the same period of 2007. Stock based compensation for three months ended September 30, 2008 was less than $0.1 million which is comparable to the same period of 2007.

Future income tax for nine months ended September 30, 2008 was $nil compared to $2.4 million for the same period of 2007. Future income tax for the three months ended September 30, 2008 and 2007 was also $nil. During the second quarter of 2007 the Company considered the future income tax asset impaired due to the deferral of sales for the European bus markets into 2008 and reduced the future income tax asset value to $nil.

Net Loss for the nine months ended September 30, 2008 was $2.6 million or a loss of $0.12 per common share. A net loss of $2.6 million or a loss of $0.12 per common share was recognized for the comparable period of 2007. Net Loss for the three months ended September 30, 2008 was insignficant and nil impact per common share compared to net loss of $0.4 million or $0.02 per common share for the comparable period of 2007.The year-to-date net loss at September 30, 2008 is substantially the result of reduction of sales due to the slow down in the European bus market, reduced sales into the US heavy-duty truck market and increased competition in North American and Europe.

Summary of Quarterly Results

The following table shows selected unaudited financial information for the past nine quarters ending September 30, 2008. 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, 2007 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)	Sept 30 2006	Dec 31 2006	Mar 31 2007	June 30 2007	Sept 30 2007	Dec 31 2007	Mar 31 2008	June 30 2008	Sept 30 2008
Revenues									
Cylinder and system sales	8,275	11,334	9,322	5,838	8,481	5,367	3,242	3,517	5,484
Research & development income	376	771	918	2,259	1,322	1,150	1,196	1,443	1,399
Investment & other income	13	14	270	38	33	32	11	55	122
	8,664	12,119	10,510	8,135	9,836	6,549	4,449	5,015	7,005
Operating expenses									
Cost of goods sold	6,393	9,513	7,630	4,817	6,581	4,318	2,776	3,247	4,119
Marketing & general and admin.	1,387	1,802	1,312	1,350	1,489	1,457	1,186	1,251	1,221
Research & product development	567	650	658	1,184	1,391	1,426	1,186	1,312	1,009
	8,347	11,965	9,600	7,351	9,461	7,201	5,148	5,810	6,349
EBITDA[(1)]	317	154	910	784	375	(652)	(699)	(795)	656
Interest	22	62	68	33	58	60	68	108	106
Taxes	-	150	80	2,275	-	-	-	-	-
Stock based compensation	54	56	28	28	29	197	21	21	21
Net foreign exchange (gain) loss	6	75	(1)	115	34	162	(347)	(93)	(64)
Depreciation & amortization	546	1,018	568	642	666	1,082	619	649	629
	628	1,361	743	3,093	787	1,501	(361)	685	392
Net income (loss)	(311)	(1,207)	167	(2,309)	(412)	(2,153)	(1,060)	(1,480)	(36)
Net Income (loss) per share									
Basic and fully diluted	(0.02)	(0.05)	0.01	(0.11)	(0.02)	(0.10)	(0.05)	(0.07)	(0.00)

(1) EBITDA is a non-GAAP financial measure that is defined and discussed in the Non-GAAP Financial Measures section of the Management's Discussion and Analysis.

Reconciliation of Non-GAAP Financial Measures

EBITDA

GAAP Measures from Consolidated Statements of Net Loss, Comprehensive Loss and Deficit	Three months ended September 30		Nine months ended September 30	
(thousands of Canadian dollars – unaudited)	**2008**	2007	**2008**	2007
Net loss and Comprehensive Loss	**(36)**	(412)	**(2,576)**	(2,554)
Future income tax	**-**	-	**-**	2,355
Stock based compensation	**21**	29	**63**	85
Net foreign exchange (gain) loss	**(64)**	34	**(504)**	148
Depreciation and Amortization	**629**	666	**1,897**	1,876
Interest	**106**	58	**282**	159
Non-GAAP measure - EBITDA	**656**	375	**(838)**	2,069

Working Capital and Non-Cash Working Capital

GAAP Measures from Consolidated Balance Sheets (thousands of Canadian dollars – unaudited)	**September 30 2008**	**September 30 2007**
Accounts receivable	**6,978**	7,169
Inventory	**12,460**	10,919
Prepaids and other	**185**	230
Accounts payable and accrued liabilities	**(5,601)**	(3,579)
Operating bank line	**-**	(1,875)
Deferred revenue	**(827)**	(964)
Current portion of long-term debt and capital leases	**(413)**	(251)
Non-GAAP measure – Non-Cash Working Capital	**12,782**	11,649
Add: Cash and cash equivalents	**2,898**	861
Non-GAAP measure - Working Capital	**15,680**	12,510

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

Intangible Assets and Deferred Costs - Expenditures

(thousands of Canadian dollars)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
Patents	**5**	51	**17**	67
Certification costs	**82**	185	**369**	608
Deferred Costs	**-**	49	**-**	111
	87	285	**386**	786

Intangible asset expenditures for the nine months ended September 30, 2008 were $0.4 million compared to $0.8 million for the same period of 2007. Intangible asset expenditures for the three months ended September 30, 2008 were $0.1 million compared to $0.3 million for the same period of 2007. The additions for the three and nine months ended September 30, 2008 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 September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
Building and leaseholds	**2**	-	**36**	186
Manufacturing equipment	**24**	61	**153**	1,524
Office furniture and other equipment	**7**	39	**7**	142
Computer hardware and software	**-**	2	**9**	23
Manufacturing equipment under construction	**22**	(16)	**(2)**	(1,058)
	55	86	**203**	817

Capital expenditures for the nine months ended September 30, 2008 were $0.2 million compared to $0.8 million for the same period in 2007. Capital expenditures for the three months ended September 30, 2008 were $0.1 million which was comparable for the same period in 2007.

The Company's capital resource requirements currently consist of capital expenditures to enhance 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 its 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.

The Company also has the ability to fund liquidity requirements through its $3.5 million operating bank line of credit facility, the proceeds from the $5.0 million mortgage facility with Business Development Bank of Canada (BDC), and management of working capital.

As at September 30, 2008 Dynetek had cash and cash equivalents of $2.9 million, compared to $1.8 million at December 31, 2007. Dynetek had a cash flow deficiency from operations of ($3.4) million for the nine months ended September 30, 2008 compared to cash flow from operations of $1.0 million for the nine months ended September 30, 2007. The negative cash flow from operations has resulted in management implementing various cost savings strategies and management continues to look for new revenue opportunities.

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 September 30, 2008 as compared to December 31, 2007.

(thousands of Canadian dollars)	**September 30, 2008**	December 31, 2007	Change in working capital
Cash and cash equivalents	**2,898**	1,756	1,142
Accounts receivable	**6,978**	5,121	1,857
Inventory	**12,460**	10,304	2,156
Prepaids and other	**185**	557	(372)
Operating bank line	**-**	-	
Accounts payable and accrued liabilities	**(5,601)**	(4,127)	(1,474)
Deferred revenue	**(827)**	(1,403)	576
Current portion of long-term debt and capital leases	**(413)**	(370)	(43)
	15,680	11,838	3,842

At September 30, 2008 accounts receivable were $7.0 million representing an increase of $1.9 million when compared to December 31, 2007. This increase is the result of an increase in shipments in the months of August and September 2008 as compared to year-end 2007 as the Company began to make deliveries on its CNG systems order to a major bus manufacturer in Europe. At September 30, 2008 the Company has accounts receivables outstanding from three customers, each with a balance owing greater than 10% of the Company's outstanding accounts receivable balance. Within the last two years, the Company has not experienced significant bad debts in its collection of accounts receivables.

The Company's investment in inventory resulted in an increase of $2.2 million to $12.5 million at September 30, 2008 from December 31, 2007. The following table summarizes the inventory balance at September 30, 2008 compared to December 31, 2007.

(thousands of Canadian dollars)	**September 30 2008**	December 31 2007	Change
Raw materials	**3,398**	3,046	352
Work-in-progress	**5,310**	3,867	1,443
Finished goods	**3,752**	3,391	361
	12,460	10,304	2,156

Work-in-progress substantially represented by confirmed orders increased by $1.4 million to $5.3 million. Raw material levels slightly increased by $0.4 million to $3.4 million. The increase was a result of increases in the amount of carbon fibre and aluminum tube being held in inventory. Finished goods inventory also increased by $0.4 million to $3.8 million from the December 31, 2007 levels.

Accounts payable at September 30, 2008 were $5.6 million, compared to $4.1 million as at December 31, 2007. This increase is representative of the increases in production from increased sales in the third quarter of 2008 when compared to the fourth quarter of 2007.

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 2008. During the first nine months of 2008 the Company received $0.1 million in funding from NRCan in the form of long-term debt.

As of September 30, 2008 the Company has a $3.5 million operating line of credit with Bank of Nova Scotia with $nil drawn on this credit facility. On August 14, 2008 the Company agreed to reduce its operating line of credit from $5.0 million to $3.5 million. Terms under the existing operating line of credit are similar to the terms prior to August 14, 2008 except the Company has agreed with the bank to replace the former Consolidated Tangible Net Worth covenant with a Consolidated Shareholders' Equity covenant. The credit agreement requires the Company to meet specified tangible net worth and working capital ratios as well as maintaining a specific level of consolidated shareholders' equity. At September 30, 2008, the Company was in compliance with all covenants.

On March 24, 2008 the Company completed a $5.0 million mortgage of its Calgary production facility with the BDC. Proceeds from the BDC mortgage have been primarily used for working capital purposes and to fund Dynetek's required contribution towards new projects. The mortgage has a term of 15 years and bears interest at the bank prime rate plus 1.50% per annum. During the first 18 months, with the option to extend for an additional six months, the mortgage payments are interest only and do not include principal.

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.

Contractual Obligations and Commitments

The following table provides Dynetek's contractual obligations at September 30, 2008 for the remaining three months of 2008 and each of the next four years and thereafter.

(thousands of Canadian dollars)

	Total	2008	2009	2010	2011	2012	Thereafter
Operating lease obligations	1,834	80	319	319	319	319	478
Capital lease obligations	668	37	149	149	149	125	59
Mortgage obligation	7,890	113	435	655	632	610	5,445
Total contractual obligations	10,392	230	903	1,123	1,100	1,054	5,982

The Company has an obligation with a key supplier to purchase raw materials for approximately $0.4 million by December 31, 2008, to be used in the normal course of business.

The Company is currently not involved in any material litigation or claims.

Market Volatility

The global financial markets have experienced significant volatility in 2008 and it cannot be reasonability determined when such volatility will subside. This has created an uncertain environment, which could impact many companies in varying degrees including Dynetek, its customers and suppliers.

One major impact will be assessing new customer markets and the credit risk presented by existing and new customers. Currently, Dynetek issues a credit limit to each customer and once the customer reaches the credit limit, deliveries are halted until payments are received. Within the last two years, Dynetek has not experienced material bad debts in its accounts receivable and will continue to monitor its credit policies in a volatile environment. Dynetek does have major credit exposure to bus manufacturers, transit operators and fleet operators as the Company focuses on marketing its CNG cylinders to this segment. Starting with the third quarter of 2007, the Company has previously disclosed the reduced tender activities and deliveries to the European bus market and the Company continues to monitor this particular segment. In addition, the Company has exposure to the automotive industry through their transactions with various OEMs.

The Company does anticipate new legislation to improve and maintain the North American environment, which could lead to increased sales of its CNG systems which utilizes natural gas, a cleaner burning hydrocarbon. With the strategies to reduce costs and improve efficiencies, Dynetek feels it is in a better position to increase its productivity in the future.

In regards to the turbulent financial markets, Dynetek expects financing alternatives will become more restricted. Sourcing new capital markets, whether equity or debt, is expected to be difficult and there will be more reliance on cash generated from operations and managing its working capital. Dynetek will continue to closely monitor its cash generating potential, its cash utilization requirements and working capital requirements. With the heavier reliance on internal cash sources, the potential for major capital expenditures will decrease. The Company will continue to review strategic ventures such as new alliances, joint ventures and new partners, licensing arrangements and product offerings.

Transactions with Related Parties

For the three months and nine months ended September 30, 2008, the Company purchased under normal terms and conditions $1.5 million (2007 - $1.2 million) and $3.4 million (2007 - $3.5 million), respectfully, 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, 2007 and September 30, 2008	**20,936,500**	**52,418**

	September 30 2008	December 31 2007
Securities convertible into common shares:		
Stock options	**828,000**	984,500
Warrants	**680,117**	737,509

CHANGES IN ACCOUNTING POLICIES

As required by the Canadian Institute of Chartered Accountants ("CICA"), on January 1, 2008, the Company adopted CICA Handbook section 3031, Inventories; section 1535, Capital Disclosures; section 3862, Financial Instruments – Disclosures; section 3863, Financial Instruments – Presentation and section 1400 – General Standards of Financial Statement presentation. See Note 3 to the Consolidated Financial Statements for further details. There has been no impact to the consolidated financial statements related to the adoption of each new policy on January 1, 2008 except for new disclosures within specific financial statement notes.

On February 13, 2008, the Accounting Standards Board confirmed that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). 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 developing a plan to transition 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. 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

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.

The Canadian Securities Administrators ("CSA") requires companies with year-ends after December 15, 2008 to certify the effectiveness of internal controls over financial reporting. Included in the CSA requirements are the use of a control framework to design internal controls over financial reporting, reporting fraudulent acts and "material weaknesses" within the internal controls over financial reporting. The Company has designed its internal controls using the Internal Control – Integrated Framework (COSO) and will test key controls during the fourth quarter of 2008 to confirm the effectiveness of these key controls.

OUTLOOK

The Company remains committed to continuing to grow its CNG and Hydrogen revenue streams globally through targeted marketing initiatives. It is anticipated that CNG will become more of a strategic alternative to foreign energy within North America.

The Company expects to increase its focus on revenue growth opportunities worldwide in the CNG market for bus and heavy-duty truck applications and for bulk hauling of larger quantities of compressed gas. In particular, the Company continues to increase its focus for CNG cylinder and system sales in areas such as California, Europe and new markets where the use of CNG is a commercial driver for transit authorities as well as other fleet operators. 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 largest demand for CNG vehicles is in countries where low cost solutions are required. The Company is currently reviewing strategies to grow the compressed gas system revenue and is evaluating additional product development and sales in order to penetrate price sensitive markets that are actively developing CNG as a transportation fuel. To accomplish this product development and market penetration, the Company will also be evaluating strategic alliances, new joint ventures, new partners and customers, licensing arrangements, new manufacturing techniques and additional product offerings. The Company is committed to change where appropriate to attain its goals of revenue growth and net income.

In the area of bulk hauling, the Company's prime focus will be in markets with access to an abundance of natural gas, where storage technology and pipeline infrastructure are lacking. The Company has previously obtained US Department of Transportation (DOT) and Transport Canada (TC) certification for its 223bar bulk hauling system and in May 2008, the Company received DOT approval to sell its 450 bar bulk systems in the US.

Dynetek currently expects revenue in the fourth quarter to be comparable to the third quarter of 2008. Dynetek continues to monitor the impact from the postponement of public transit bus manufacturing in Europe, which began at the end of the third quarter of 2007. It is anticipated that the ongoing cost savings strategies implemented during the second quarter of 2008 will reduce the negative impact from the postponement of the public bus manufacturing in Europe. The Company will continue to manage its costs responsibly and improve production efficiencies where possible. The Company reduced production and research and development staff to core levels, reduced executive compensation and continues to review supplier alternatives as part of its cost savings strategies in the second quarter. In addition, Dynetek's Board of Directors recently suspended the payment of all Board fees.

The Company will continue to develop its hydrogen storage technologies to assist in commercializing the hydrogen economy. This includes working with OEMs to implement their hydrogen vehicle strategies and sales to energy-related companies that require mobile refueling units, stationary storage for refueling, and bulk hauling of hydrogen. In 2007 Dynetek saw an increase in activity in the hydrogen vehicle market and continues to work with Natural Resources Canada and nine different OEMs, including Ford, Hyundai, Daimler, Volkswagen and Nissan, to design, manufacture and deliver hydrogen storage solutions on 13 different confidential development programs. Deliverables under the Magna Steyr contract, in connection with Daimler's automotive fuel cell program continue as planned and two of three contract milestones are expected to be completed by December 31, 2008.

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 at the Company's website www.dynetek.com