



Dynetek Industries Ltd.
STORING ENERGY'S FUTURE

Dynetek Reports 48% Increase in Revenue for Nine Months of 2009

Calgary, Alberta, Canada – November 12, 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 nine months ended September 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 September 30		Nine months ended September 30	
	2009	2008	2009	2008
Total revenue	8,354	7,005	24,393	16,469
EBITDA ⁽¹⁾	299	656	707	(838)
Net loss	(274)	(36)	(1,397)	(2,576)
Net loss per common share (basic and fully diluted)	(0.02)	(0.00)	(0.07)	(0.12)
Cash	688	2,490	688	2,490
Non-cash working capital ⁽¹⁾	13,924	12,782	13,924	12,782
Working capital ⁽¹⁾	15,020	15,680	15,020	15,680
Total assets	40,981	43,368	40,981	43,368
Long-term debt and capital lease	6,649	7,168	6,649	7,168
Capital and intangible expenditures	519	143	752	590
Operating line availability	1,745	3,500	1,745	3,500
Cash flow (deficiency) from operations	348	(1,066)	(3,099)	(3,431)
Weighted average common shares outstanding	20,938,783	20,936,500	20,937,269	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 a 48% increase in revenue for the first nine months of 2009, positive EBITDA for the fifth consecutive quarter and working capital in excess of \$15.0 million for the seventh consecutive quarter. Dynetek (or 'Company') has generated EBITDA of \$1.6 million over the last five quarters despite recessionary factors being present. The Company's EBITDA for the nine month period ended September 30, 2009, was \$0.7 million, an increase of \$1.5 million, when compared to negative EBITDA of (\$0.8) million for the same period of 2008. The increase in EBITDA was primarily achieved from increased cylinder and system revenue from Dynetek's European operations and improvements in production resulting in increased efficiencies.

The increase in revenue and EBITDA resulted in Dynetek recording a smaller year-to-date loss in 2009, a net loss of \$1.4 million or net loss of \$0.07 per common share, compared to a net loss of \$2.6 million or net loss of \$0.12 per common share for the same period of 2008. During the third quarter of 2009, Dynetek recorded a net loss of

(\$0.3) million or net loss of \$0.02 per common share compared to an insignificant net loss of less than (\$0.1) million or net loss of (\$0.00) per common share for the third quarter of 2008. The improved EBITDA and reduced net loss for the third quarter of 2008 was the result of achieving significant cost saving strategies implemented during the second quarter of 2008.

Cylinder and system revenue increased 76% in 2009, compared to the first nine months of 2008. For the nine month period ended September 30, 2009, Dynetek achieved cylinder and system revenue of \$21.5 million compared to \$12.2 million for the same period of 2008. The increase of \$9.3 million was attributed to stronger sales activities with European bus manufacturers. Dynetek's European operation has increased its sales by 117% in the first nine months of 2009, from \$7.6 million in 2008 to \$16.5 million. Dynetek's North American operations generated cylinder and system revenue of \$5.1 million for the first nine months of 2009 compared to \$4.7 million for the same period of 2008.

Comparing the third quarter of 2009 against the same quarter of 2008, cylinder and system revenue was \$7.5 million compared to \$5.5 million, an increase of 36%. The European operations produced cylinder and system revenue of \$4.4 million in the third quarter compared to \$3.0 million for the same quarter of 2008. North American cylinder and system revenue was \$3.0 million compared to \$2.5 million for the same quarter of 2008 as two major sales orders were completed during the third quarter of 2009. North American sales has been directed towards larger volume cylinder and system orders in the first nine months of 2009, allowing for better production efficiencies to be realized despite additional customer requests to defer sales orders and increased price competition.

For the nine months ended September 30, 2009, the Company recognized research and development revenue of \$2.8 million, compared to \$4.0 million for the same period of 2008. The decrease reflects that Dynetek will substantially complete its major hydrogen fuel storage system contract during the fourth quarter of 2009. For the third quarter of 2009, research and development revenue was \$0.9 million compared to \$1.4 million for the same quarter of 2008. Dynetek continues to source new research and development projects with various Original Equipment Manufacturers ('OEM') but such projects have been smaller scale compared to its former major hydrogen system contract.

The Company continues to maintain consistent levels of liquidity. At September 30, 2009 working capital was \$15.0 million, compared to \$15.8 million at December 31, 2008. The Company's quarterly working capital has exceeded of \$15.0 million since the start of 2008. Maintaining consistent levels of working capital will continue to allow Dynetek to fund projects related to sales and research and development and explore new regions that forecast compressed natural gas ('CNG') growth.

OUTLOOK

Dynetek is exploring new opportunities in Asia and Europe having recently received approvals from several Asian countries to supply cylinders and cylinder systems. In addition, the Company's European operations continue to see different regions of CNG growth, particularly within the European bus market. The Company will narrow its focus of its marketing activities to geographical regions that currently generate revenues for the Company or has potential to contribute significant revenue through CNG growth.

Dynetek remains committed to growing its CNG and hydrogen storage revenue streams through targeted marketing initiatives and will have a stronger short-term focus on its CNG activities due to lower levels of hydrogen market activities. Various independent studies have forecasted the market for CNG vehicles to significantly grow in the future. By 2020, it is forecasted that CNG vehicles will capture 12% market share in the United States, 14% in Europe and 11% in Asia with ten million new CNG vehicles each year.

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

- New legislation to improve and maintain not only the North American environment but in other countries as well.

- Worldwide adoption of NGVs continues to be strong.
- A growing natural gas infrastructure. Continuing investment in infrastructure is adding to the number of compressed natural gas refueling centers.

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 continues to receive interest from various OEMs to participate in their hydrogen projects. During the third quarter of 2009, Dynetek substantially completed installing its hydrogen fuel system to be used in twenty hydrogen buses that will operate during the 2010 Winter Olympics. Dynetek anticipates continuing to re-design and improve its hydrogen products to meet new specifications from OEMs.

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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CONSOLIDATED BALANCE SHEETS

(thousands of Canadian dollars)
(unaudited)

	September 30 2009	December 31 2008
ASSETS		
Current assets		
Cash	688	3,797
Restricted cash (note 4)	408	408
Accounts receivable (note 5)	8,398	6,141
Inventory (note 6)	11,913	12,994
Prepaid expenses and other	244	437
	21,651	23,777
Intangible assets and deferred costs (note 7)	4,738	4,871
Capital assets	14,592	15,474
	40,981	44,122
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,785	6,420
Deferred revenue	25	1,051
Operating bank line (note 8)	1,005	–
Current portion of long-term debt and capital lease	816	536
	6,631	8,007
Long-term debt and capital lease	6,649	7,096
Commitments (note 12)		
SHAREHOLDERS' EQUITY		
Share capital (note 9)	52,420	52,418
Contributed surplus (note 10)	2,804	2,727
Deficit	(27,523)	(26,126)
Accumulated other comprehensive income	–	–
	27,701	29,019
	40,981	44,122

See accompanying notes to the unaudited interim consolidated financial statements

CONSOLIDATED STATEMENTS OF NET LOSS, COMPREHENSIVE LOSS AND DEFICIT

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
REVENUE				
Cylinder and system sales	7,469	5,484	21,549	12,243
Research and development income	884	1,399	2,837	4,038
Investment and other income	1	122	7	188
	8,354	7,005	24,393	16,469
EXPENSES				
Cost of goods sold	5,816	4,119	16,869	10,142
General and administrative	871	835	2,645	2,575
Research and product development	891	1,009	2,738	3,507
Marketing	477	386	1,434	1,083
Interest	94	106	237	282
Depreciation	332	370	989	1,124
Amortization	263	259	778	773
Net foreign exchange loss (gain)	(143)	(64)	23	(504)
Stock based compensation (note 10)	27	21	77	63
	8,628	7,041	25,790	19,045
Loss before taxes	(274)	(36)	(1,397)	(2,576)
PROVISION FOR TAXES				
Future income tax	-	-	-	-
	-	-	-	-
NET LOSS AND COMPREHENSIVE LOSS	(274)	(36)	(1,397)	(2,576)
Deficit, beginning of period	(27,249)	(25,724)	(26,126)	(23,184)
DEFICIT, END OF PERIOD	(27,523)	(25,760)	(27,523)	(25,760)
Per Share Information				
Loss per share (basic and diluted)	(0.02)	(0.00)	(0.07)	(0.12)
Weighted average number of common shares outstanding (note 9)	20,938,783	20,936,500	20,937,269	20,936,500

See accompanying notes to the unaudited interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of Canadian dollars)
(unaudited)

	Three months ended		Nine months ended	
	September		September	
	2009	2008	2009	2008
Cash flows provided by (used for) operating activities				
NET LOSS	(274)	(36)	(1,397)	(2,576)
Items not involving cash				
Depreciation	332	370	989	1,124
Amortization	263	259	778	773
Stock based compensation	27	21	77	63
Unrealized foreign exchange loss (gain)	343	9	551	(143)
	691	623	998	(759)
Changes in non-cash working capital				
Accounts receivable	(59)	(1,608)	(2,257)	(1,857)
Inventory	562	(2,219)	1,081	(2,156)
Prepaid expenses and other	39	134	193	372
Accounts payable and accrued liabilities	(444)	2,358	(1,635)	1,474
Deferred revenue	(163)	(323)	(1,026)	(576)
Unrealized foreign exchange loss (gain) relating to non-cash working capital	(278)	(31)	(453)	71
	348	(1,066)	(3,099)	(3,431)
INVESTING ACTIVITIES				
Additions to intangible assets and deferred costs	(443)	(87)	(645)	(386)
Additions to capital assets (net)	(76)	(56)	(107)	(204)
	(519)	(143)	(752)	(590)
FINANCING ACTIVITIES				
Cash received on exercise of stock options	2	–	2	–
Operating bank line	255	–	1,005	–
Advances of long-term debt	–	–	–	5,169
Repayment of long-term debt	(78)	(69)	(167)	(78)
	179	(69)	840	5,091
Foreign exchange (loss) gain on cash held in a foreign currency	(65)	22	(98)	72
Increase (decrease) in cash	(57)	(1,256)	(3,109)	1,142
Cash, beginning of period	745	3,746	3,797	1,348
Cash, end of period	688	2,490	688	2,490

Interest income received during the nine-month period ended September 30, 2009 was \$7 thousand (2008 - \$68 thousand) and during the three-month period ended September 30, 2009 was \$1 thousand (2008 - \$23 thousand). Interest paid during the nine-month period ended September 30, 2009 was \$0.2 million (2008 - \$ 0.3 million) and for the three-month period ended September 30, 2009 was \$79 thousand (2008 - \$0.1 million). Taxes paid during each of the nine and three month period ended September 30, 2009 was \$nil and \$nil for the same periods of 2008.

See accompanying notes to the unaudited interim consolidated financial statements

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008

*(tabular amounts in thousands of Canadian dollars, except share capital amounts)
(unaudited)*

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements have been prepared by management of Dynetek Industries Ltd. ("Dynetek" or "the Company") in accordance with Canadian generally accepted accounting principles ("GAAP"). These unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with Dynetek's audited consolidated financial statements and notes as at and for the year ended December 31, 2008. The accounting policies and methods of application used in the preparation of these unaudited interim consolidated financial statements are consistent with the accounting policies used in Dynetek's most recent audited year end consolidated financial statements, except as described in note 2.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

2. CHANGE IN ACCOUNTING POLICY

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.

3. FUTURE ACCOUNTING STANDARD CHANGES

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

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.

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. These amendments are not expected to have a significant impact on the Company's results of operations or financial position.

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008

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

4. RESTRICTED CASH

At September 30 2009, the Company has \$408 thousand (2008 - \$408 thousand) in restricted cash, invested in a guaranteed investment certificate bearing interest at 0.15% per annum, representing funds used as security for loans between an officer and a director of the Company and a major chartered bank for the purchase of common shares of the Company.

5. ACCOUNTS RECEIVABLE

	September 30 2009	December 31 2008
Accounts receivable – trade	7,029	5,164
Accounts receivable - other	1,493	977
Allowance for doubtful accounts	(124)	–
	8,398	6,141

The aging of trade receivables as at September 30, 2009 is set out below:

Current	4,056
Past Due 0 – 30 days	1,373
Past Due Other	1,600
	7,029

Accounts receivable - other mainly consist of goods and services and value added tax receivables and government funding receivables. The Company evaluates the ability to collect each receivable by customer. At September 30, 2009, the Company believes all of the receivables are collectable except for one customer, which resulted in a provision of \$0.1 million (2008 - \$nil) being made for this doubtful account. Of the amounts above not classified as “Current”, \$1.4 million has been collected subsequent to September 30, 2009.

6. INVENTORY

	September 30 2009	December 31 2008
Raw materials	2,993	3,044
Work-in-progress	4,557	6,082
Finished goods	4,363	3,868
	11,913	12,994

The Company measures its inventory at lower of cost and net realizable value. Cost includes the costs associated with delivering the inventory to the manufacturing plant. Work-in-progress and finished goods inventory includes costs associated with direct labour and include an allocation of fixed and variable production overhead associated with converting raw materials into finished goods. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale. The amount of inventory expensed for the nine month period ending September 30, 2009 was \$15.1 million (2008 – \$8.1 million) and \$5.2 million (2008 - \$3.1 million) for the three month period ending September 30, 2009.

During the nine month periods ended September 30, 2009 and 2008, the Company did not write-down any inventory to net realizable value or reverse any write-downs previously taken. Inventory is pledged as security for the Bank of Nova Scotia line of credit.

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008

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

7. INTANGIBLE ASSETS AND DEFERRED COSTS

	September 30, 2009			December 31, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Patents	3,221	1,215	2,006	3,219	1,085	2,134
Certification costs	5,334	2,602	2,732	4,689	1,955	2,734
Deferred costs	1,540	1,540	–	1,542	1,539	3
	10,095	5,357	4,738	9,450	4,579	4,871

8. OPERATING BANK LINE

On June 22, 2009, the Company agreed with its lender to reduce the operating bank line to \$2.75 million. Prior to this date, the Company had a \$3.5 million operating bank line. When amounts have been drawn, they will be payable on demand and bear interest at the bank prime rate plus 2.0% per annum. The bank line is secured by an assignment of book debts, inventory and a collateral mortgage. The credit agreement requires the Company to maintain a tangible net worth ratio less than 1.5: 1.0, a working capital ratio above 1.5: 1.0 and shareholders' equity above \$26.0 million. At September 30, 2009, the Company had drawn \$1.0 million on this facility (December 31, 2008 – \$nil) and was in compliance with all bank covenants.

9. SHARE CAPITAL

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

Issued and outstanding:

	Number of Shares	Amount
Balance at December 31, 2008	20,936,500	\$ 52,418
Stock options exercised	10,000	2
Balance at September 30, 2009	20,946,500	\$ 52,420
	September 30 2009	December 31 2008
Securities convertible into common shares:		
Stock options	1,372,000	1,561,500
Warrants	670,111	680,117

During the nine month period ended September 30, 2009, 150,000 (2008 – 45,000) stock options were issued with 100,000 (2008 – 45,000) stock options issued for the three month period ended September 30, 2009. Stock options cancelled for the three month period ended September 30 2009 was 29,500 (2008 – 104,000), and 329,500 stock options (2008 – 201,500) were cancelled for the nine month period ended September 30, 2009.

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008

(tabular amounts in thousands of Canadian dollars, except share capital amounts)
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9. SHARE CAPITAL (continued)

The weighted average number of shares outstanding for purposes of calculating basic income per share for the three and nine month periods ended September 30, 2009 was 20,938,783 (2008 – 20,936,500) and 20,937,269 (2008 – 20,936,500).

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

	Nine months ended September 30	
	2009	2008
Weighted average risk-free interest rate	0.50%	3.33%
Weighted average expected life	5 years	5 years
Estimated volatility in the market price of the common shares	124%	87%
Expected dividend yield	0%	0%

The weighted average fair value per option was \$0.19 for the nine month period ended September 30, 2009 and \$0.37 for the comparable period of 2008.

10. CONTRIBUTED SURPLUS

The following table summarizes information about contributed surplus.

Balance at December 31, 2008	2,727
Stock based compensation expense	77
Balance at September 30, 2009	2,804

11. TRANSACTIONS WITH RELATED PARTIES

For the three and nine month periods ended September 30, 2009, the Company purchased under normal terms and conditions \$1.6 million (2008 - \$1.5 million) and \$4.1 million (2008 - \$3.4 million) respectfully, of material used in the production of lightweight fuel storage systems from Mitsubishi Rayon Corporation, a shareholder of the Company.

12. COMMITMENTS

The Company has obligations under various German operating leases which require the following minimum annual payments during the respective fiscal years:

2009	90
2010	361
2011	361
2012	337
2013	335
Thereafter	167

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008

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

(unaudited)

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The objective of the Company's financial risk management practises is to reduce volatility in cash flow and earnings. The Company does not use derivative financial instruments to manage its risks.

(a) Credit risk

The Company is exposed to credit risk through: the possibility that certain customers may default on their financial obligations; concentration of transactions with the same party; or concentration of financial obligations which have similar economic characteristics which can be similarly affected by changes in economic conditions.

Customers are granted unsecured credit subject to credit approval prior to acceptance of a purchase order. Credit terms vary from cash on delivery to 90 days depending on the credit risk of each customer as assessed by management. Each customer has a credit limit established by management and once the customer reaches the credit limit, shipments are halted until payments are made. The Company can request collateral such as a guarantee or letter of credit, before acceptance of a purchase order. In addition, certain European customers' accounts are insured through Export Development Canada. Management believes its concentration of credit risk with respect to accounts receivable is limited due to the credit quality of its customers.

At September 30, 2009, the Company's cash and restricted cash is on deposit with a Canadian chartered bank and two German financial institutions. Accounts receivable normally include bus manufacturers and Original Equipment Manufacturers ("OEMs"). At September 30, 2009, the Company has receivables outstanding from four customers each greater than 10% of the Company's outstanding receivable balance.

The carrying value of the accounts receivable approximates their fair value due to the relatively short periods to maturity of these instruments. The maximum exposure to credit risk for cash, restricted cash and accounts receivable is represented by the carrying amount on the balance sheet. There are no material financial assets that the Company considers past due.

The Company assesses on a quarterly basis whether there has been any impairment of financial assets. As at September 30, 2009, management determined there was no impairment of any of the financial assets of the Company, other than as reflected in Note 5.

(b) Market risk

Interest rate risk

Interest rate risk refers to the risk that cash flows associated with a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate cash flow risk on floating interest rate bank debt due to fluctuations in market interest rates.

As at September 30, 2009, the Company had a \$2.75 million line of credit available from the Bank of Nova Scotia. When amounts have been drawn, they will be payable on demand and bear interest at the bank prime rate plus 2.0% per annum. The Company had drawn \$1.0 million on this credit facility as of September 30, 2009. The credit agreement requires the Company to be below a specified tangible net worth ratio, and above a specified working capital ratio and maintain shareholders' equity above \$26.0 million. The Company is in compliance with all covenants at September 30, 2009 (see note 8).

The Company has a \$5.0 million mortgage on its Calgary production facility with the Business Development Bank of Canada. The mortgage has a term of 15 years and bears interest at the bank prime rate plus 2.0% per annum. Repayment of principal began in September 2009 and an option to extend repayment of principal for an additional six months is available.

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008

*(tabular amounts in thousands of Canadian dollars, except share capital amounts)
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Interest rate risk (continued)

The remainder of the Company's financial assets and liabilities are not exposed to interest rate risk. The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

A 0.25% change in the interest rate would have impacted the net loss of the Company for the nine month period ended September 30, 2009 by approximately \$9 thousand before tax effect. A sensitivity of 0.25% was selected, as this is considered reasonable given the current lending rates available.

Foreign currency risk

The Company is exposed to foreign currency risk arising from operations and sales outside of Canada. A significant portion of the Company's revenues and expenses are denominated in United States ("US") dollars and Euros. The Company's cash flow from sales will therefore be impacted by fluctuations in foreign exchange rates.

The Company does not use foreign exchange rate hedges or fixed foreign exchange contracts to manage the Company's exposure to foreign exchange rate fluctuations.

A \$0.05 increase or decrease in the Canadian dollar to EURO exchange rate would have impacted the net loss of the Company for the nine month period ended September 30, 2009 by \$0.2 million before tax effect. A sensitivity of five percent was selected, as this is considered reasonable given the current level of the Canadian dollar to EURO exchange rate and market expectations for future movements.

A \$0.05 increase or decrease in the Canadian dollar to US dollar exchange rate would have impacted the net loss of the Company for the nine month period ended September 30, 2009 by \$0.2 million before tax effect. A sensitivity of five percent was selected, as this is considered reasonable given the current level of the Canadian dollar to US dollar exchange rate and market expectations for future movements.

(c) Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth;
or
- The Company may be unable to settle or recover a financial asset.

The Company meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and analyzing its investing and financing requirements. Operating cash requirements can fluctuate due to amounts projected to complete its existing capital expenditure program and adjustments to input variables. These input variables include but are not limited to: available bank lines, order back log from existing customers, ability of the Company to develop new customers, raw material pricing and competitors entering the market. As these variables change, liquidity risks may necessitate the need for the Company to conduct equity issues or obtain project debt financing.

As described in note 8, the Company has a short-term operating bank line in place to meet short-term fluctuations in cash requirements.

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008

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

(unaudited)

(c) Liquidity risk (continued)

The following table provides Dynetek's mortgage and capital lease obligations at September 30, 2009 for each of the next five years and thereafter.

(thousands of Canadian dollars)

	Total	2009 ⁽¹⁾	2010	2011	2012	2013	Thereafter
Capital lease obligation	546	39	157	157	131	62	-
Mortgage obligation	6,574	136	536	522	508	493	4,379
Total contractual obligations	7,120	175	693	679	639	555	4,379

⁽¹⁾ Remaining three months of 2009.

(d) Fair values of financial instruments

The Company's financial instruments are classified as cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, operating bank line, capital lease and long-term debt. The carrying value and fair value of these financial instruments at September 30, 2009 is disclosed below by financial instrument category:

Financial Instrument	Carrying Value	Fair Value
Assets held for Trading		
Cash and restricted cash	1,096	1,096
Loans and Receivables		
Accounts receivables	8,398	8,398
Other Liabilities		
Accounts payable and accrued liabilities	4,785	4,785
Operating bank line	1,005	1,005
Loans ⁽¹⁾	2,014	1,962
Mortgage	4,972	4,972
Capital lease	479	512

⁽¹⁾ The fair values of the loans are measured using the Company's risk-free cost of borrowing at September 30, 2009, which was 0.64% per annum.

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2009 and 2008

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

14. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard its accumulated capital in order to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders.

The capital structure of the Company consists of equity, long-term debt and capital lease less cash and is summarized in the table below:

	September 30 2009	December 31 2008
Shareholders' equity	27,448	29,019
Long-term debt and capital lease, including current portion	7,465	7,632
Cash	(688)	(3,797)
Total Capital	34,225	32,854

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share or debt issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements other than covenant ratios in the operating line of credit agreement, which requires the Company to meet three covenants. The Company complied with these covenants, at September 30, 2009 (see Note 8). The Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2008.

15. SEGMENTED INFORMATION

The Company currently operates in one operating segment, which involves the manufacture and sale of lightweight fuel storage systems. The majority of the Company's operations and assets relating to commercial production were located in Canada at September 30, 2009. Revenues attributed to foreign countries are based on the location of the customer.

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Cylinder and system sales				
North America	2,854	2,000	4,597	3,553
Europe ⁽¹⁾	4,446	3,030	16,495	7,555
Other	169	454	457	1,135
	7,469	5,484	21,549	12,243

⁽¹⁾ For the nine month period ended September 30, 2009 revenue includes two European customers who comprise 10% or more (2008 - one customer) of revenue.

Under a development contract, the Company has one customer who comprises 10% or more (2008 - one customer) of research and development revenue for the nine month period ended September 30, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sets out management's discussion and analysis of Dynetek's financial position as at September 30, 2009 and December 31, 2008 and results of operations for the three and nine months ended September 30, 2009 and 2008 and is based on information available as at November 9, 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.

FORWARD LOOKING STATEMENTS

In addition to historical information, this management's discussion and analysis contains forward-looking statements and should be read in conjunction with the financial statements and related notes for the year ended December 31, 2008 and quarterly interim financial statements for 2009. Forward-looking statements are based upon current assumptions, expectations and estimates that involve a number of risks and uncertainties and actual results could differ materially from those discussed in the forward-looking statements. Readers are encouraged to review the section in the Management's Discussion and Analysis titled 'Principal Risks and Uncertainties' for a discussion of factors that could affect Dynetek's future operations and financial results. Forward-looking statements are based upon management's assumptions, expectations and estimates at the time the statements are made. Dynetek does not update forward-looking statements should circumstances or management's assumptions, expectations or estimates change, except where required by securities laws.

Financial Highlights

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

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Total revenue	8,354	7,005	24,393	16,469
Net loss	(274)	(36)	(1,397)	(2,576)
Net loss per common share (basic and fully diluted)	(0.02)	(0.00)	(0.07)	(0.12)
EBITDA ⁽¹⁾	299	656	707	(838)
Cash flow (deficiency) from operations	348	(1,066)	(3,099)	(3,431)
Capital and intangible expenditures	519	143	752	590
Cash	688	2,490	688	2,490
Non-cash working capital ⁽¹⁾	13,924	12,782	13,924	12,782
Working capital ⁽¹⁾	15,020	15,680	15,020	15,680
Total assets	40,981	43,368	40,981	43,368
Operating bank line availability	1,745	3,500	1,745	3,500
Long-term debt and capital lease	6,649	7,168	6,649	7,168
Weighted average common shares outstanding	20,938,783	20,936,500	20,937,269	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 nine months ended September 30, 2009 were \$21.5 million, an increase of 76% from \$12.2 million for the same period of 2008. Cylinder and system sales for the three months ended September 30, 2009 were \$7.5 million, an increase of \$2.0 million or 36% for the same period in 2008. The increases in cylinder and system sales were the result of strong sales activities from its European bus manufacturer customers and increase in North American sales during the third quarter of 2009. Despite recessionary factors in the first six months of 2009, Dynetek's European operations exceeded budgeted revenue for the first nine months of 2009 and the North American operations completed its two major sale orders of 2009. The European operations experienced lower cylinder and system sales during the first six months of 2008 due to a decrease in customer capital spending.

Dynetek's European operations achieved cylinder and system sales of \$16.5 million in the first nine months of 2009 compared to \$7.6 million for 2008. For the three months ended September 30, 2009, the European operations achieved cylinder and system sales of \$4.4 million compared to \$3.0 million for the third quarter of 2008. The European operations have focused on marketing to new compressed natural gas ('CNG') markets in 2009, resulting in increased sales. Cylinder and system sales from the North American operations for the nine months ended September 30, 2009 were \$5.1 million, compared to \$4.7 million for the same period of 2008. The cylinder and system sales from the North American operations for the three months ended September 30, 2009 were \$3.0 million compared to \$2.5 million for the third quarter of 2008. North American cylinder and system sales increases for the three and nine month period ended September 30, 2009 were the result of completing two major sales orders in the third quarter.

Research and development income for the nine months ended September 30, 2009 was \$2.8 million, down 30% or \$1.2 million from the same period in 2008. Research and development income for the three months ended September 30, 2009 was \$0.9 million, down 37% or \$0.5 million from the same period in 2008. During the three months and nine months ended September 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 be virtually completed by December 31, 2009. In addition, there have been fewer opportunities for new hydrogen projects in 2009, which has reduced sales of Dynetek's hydrogen valves. 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 \$16.9 million for the nine months ended September 30, 2009 compared to \$10.1 million for the same period in 2008. Corresponding contribution margins for the nine months ended September 30, 2009 were \$4.7 million, or 22% of cylinder and system sales compared to \$2.1 million or 17% of sales for the same period of 2008. Cost of goods sold was \$5.8 million for the three months ended September 30, 2009 compared to \$4.1 million for the same period in 2008. Corresponding contribution margins for the three months ended September 30, 2009 were \$1.7 million, compared to \$1.4 million for the third quarter of 2008 and 22% of cylinder and system sales for the three month period ended September 30, 2009 compared to 25% for the same period of 2008. The margin increase for nine months ended September 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. Margins improved during the third quarter of 2008 as the European operations began sales under its major CNG contract.

General and administrative expense was \$2.6 million for the nine months ended September, 2009 which was comparable to the same period of 2008. General and administrative expense was \$0.9 million for the three months ended September 30, 2009, which was also comparable to the third quarter of 2008. General and administration expense as a percentage of revenue for the nine months ended September 30, 2009 was 11% compared to 16% for the same period of 2008. General and administration expense as a percentage of revenue for the three months ended September 30, 2009 was 10% compared to 12% for the same period of 2008. The increase in cylinder and system sales for the three and nine months ended September 30, 2009 resulted in the improvement of general and administrative expense as a percentage of revenue. General and administrative expenses are generally fixed costs.

Research and product development expense was \$2.7 million for the nine months ended September 30, 2009 compared to \$3.5 million for the same period in 2008. Research and product development expense was \$0.9 million for the three months ended September 30, 2009 compared to \$1.0 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 nine month periods ended September 30, 2009 are reflective of the decrease in research and development revenue in the first nine months of 2009. In addition, there were severance amounts paid to certain research and development employees in 2008 that did not occur in 2009. During the first nine 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 Magna Steyr contract is expected to be virtually completed by December 31, 2009.

The majority of Dynetek's research and development programs are co-funded with major OEMs and government agencies such as Natural Resources Canada ('NRCan'). The funding from the OEMs for the research and development programs is recorded as research and development revenue based on billing milestones outlined in the contracts. This can result in timing differences between when costs are incurred and funding is received. The government funding is recorded either as research and development income or loans. 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 \$1.4 million for the nine months ended September 30, 2009, an increase of \$0.4 million, compared to the same period of 2008. Marketing expense was \$0.5 million for the three months ended September 30, 2009, an increase of \$0.1 million to the same period of 2008. The increases in marketing expense were due to costs, such as commissions, related to increased sales in Europe during 2009. Marketing expense decreased to 6% of revenue for the nine months ended September 30, 2009 compared to 7% for the same period of 2008. Marketing expense remained at 6% of revenue for the three months ended September 30, 2009 compared to the same period of 2008. The nine month decrease in marketing expense as a percentage of revenue reflects the increase in European sales in 2009.

Interest Expense of \$237 thousand for the nine months ended September 30, 2009 was comparable to the same period of 2008. Interest expense for the third quarter of 2009 and 2008 was also comparable. The \$5.0 million mortgage was obtained in March 2008 and interest expense was recognized beginning that month whereas interest expense from the \$5.0 million mortgage was recognized through the first nine months of 2009. However, the 2008 interest expense also included transaction costs of \$33 thousand relating to costs of obtaining the mortgage.

Depreciation was \$1.0 million for the nine months ended September 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 September 30, 2009, which was comparable to the same period of 2008. The decrease in depreciation expense for the first nine months of 2009 was due to lower amounts of capital expenditures by Dynetek.

Amortization was \$0.8 million for the nine months ended September 30, 2009, which is comparable to the same period of 2008. Amortization was \$0.3 million for the three months ended September 30, 2009, which is also 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 nine months ended September 30, 2009 was a loss of less than \$0.1 million compared to a gain of \$0.5 million in the same period of 2008. Foreign exchange for three months ended September 30, 2009 was a gain of \$0.1 million which was comparable to the same period of 2008. Dynetek's Canadian operations invoice 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 primarily US dollars and Euros. The minor foreign exchange loss in the first nine months of 2009 is a result of a weakening of the US dollar and 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. For the first nine months of 2008, the opposite effect occurred, where the US dollar and Euro appreciated against the Canadian dollar.

Stock based compensation for nine months ended September 30, 2009 was \$77 thousand compared to \$63 thousand in the same period of 2008. Stock based compensation for three months ended September 30, 2009 was \$27 thousand compared to \$21 thousand in the same period of 2008. The reduction of stock based compensation for the three and nine month periods ended September 30, 2009 is due to a reduction in options issued.

Net Loss for the nine months ended September 30, 2009 was (\$1.4) million or (\$0.07) per common share compared to a net loss of (\$2.6) million or (\$0.12) per common share for the comparable period of 2008. Net Loss for the three months ended September 30, 2009 was (\$0.3) million or (\$0.02) per common share compared to an insignificant net loss of (\$0.0) million or (\$0.00) per common share for the comparable period of 2008. The reduction in net loss for the first nine months ended September 30, 2009 is substantially the result of increased sales from Dynetek's European operations and increased cost reductions.

Summary of Quarterly Results

The following table shows selected unaudited financial information for the past eight quarters ending September 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)	Dec. 31 2007	Mar. 31 2008	June 30 2008	Sept. 30 2008	Dec. 31 2008	Mar. 31 2009	June 30 2009	Sept. 30 2009
(unaudited)								
Revenues								
Cylinder and system sales	5,367	3,242	3,517	5,484	6,771	5,796	8,284	7,469
Research & development income	1,150	1,196	1,443	1,399	1,277	1,057	896	884
Investment & other income	32	11	55	122	69	3	3	1
	6,549	4,449	5,015	7,005	8,117	6,856	9,183	8,354
Operating expenses								
Cost of goods sold	4,318	2,776	3,247	4,119	5,337	4,633	6,420	5,816
Marketing & general and admin.	1,457	1,186	1,251	1,221	1,295	1,313	1,418	1,348
Research & product development	1,426	1,186	1,312	1,009	1,200	909	938	891
	7,201	5,148	5,810	6,349	7,832	6,855	8,776	8,055
EBITDA ¹	(652)	(699)	(795)	656	285	1	407	299
Interest	60	68	108	106	113	69	74	94
Taxes	-	-	-	-	-	-	-	-
Stock based compensation	162	21	21	21	26	25	25	27
Foreign exchange loss (gain)	197	(347)	(93)	(64)	(263)	228	(62)	(143)
Depreciation & amortization	1,082	619	649	629	775	588	584	595
	1,501	361	685	692	651	910	621	573
Net loss	(2,153)	(1,060)	(1,480)	(36)	(366)	(909)	(214)	(274)
Net loss per share								
Basic and fully diluted	(0.10)	(0.05)	(0.07)	(0.00)	(0.02)	(0.04)	(0.01)	(0.02)

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 September 30		Nine months ended September 30	
	2009	2008	2009	2008
Patents	-	5	2	17
Certification costs	447	82	645	369
Deferred Costs	(4)	-	(2)	-
	443	87	645	386

Intangible asset expenditures for the nine months ended September 30, 2009 were \$0.6 million compared to \$0.4 million for the same period of 2008. Intangible asset expenditures for the three months ended September 30, 2009 were \$0.4 million compared to \$0.1 million for the same period of 2008. The additions for the three and nine months ended September 30, 2009 were related to certification costs to qualify new sources of raw materials. 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	
	2009	2008	2009	2008
Building and leaseholds	-	2	-	36
Manufacturing equipment	69	24	124	153
Office furniture and other equipment	-	7	-	7
Computer hardware and software	7	-	7	9
Manufacturing equipment under construction	-	22	19	(2)
	76	55	150	203

Capital expenditures for the nine months ended September 30, 2009 were \$0.15 million, comparable to the same period in 2008. Capital expenditures for the three months ended September 30, 2009 were less than \$0.1 million, also comparable to the same amount 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 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 September 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 (\$3.1) million for the period ended September 30, 2009 compared to a cash flow deficiency from operations of (\$3.4) million for the nine months ended September 30, 2008. The cash flow deficiency in the first nine months 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 and third quarters of 2009. Inventory levels have decreased since the first quarter of 2009 and are expected to continue to decrease unless sale orders are deferred.

Third Quarter 2009 Management's Discussion and Analysis

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, 2009 as compared to December 31, 2008.

(thousands of Canadian dollars)	September 30 2009	December 31 2008	Change in working capital
Cash and restricted cash	1,096	4,205	(3,109)
Accounts receivable	8,398	6,141	2,257
Inventory	11,913	12,994	(1,081)
Prepays and other	244	437	(193)
Operating bank line	(1,005)	-	(1,005)
Accounts payable and accrued liabilities	(4,785)	(6,420)	1,635
Deferred revenue	(25)	(1,051)	1,026
Current portion of long-term debt and capital lease	(816)	(536)	(280)
	15,020	15,770	(750)

At September 30, 2009 accounts receivable were \$8.4 million, representing an increase of \$2.3 million when compared to December 31, 2008. This increase is primarily the result of increased sales from North American operations during the third quarter.

The Company's investment in inventory decreased by \$1.3 million to \$11.7 million at September 30, 2009 compared to December 31, 2008 as the Company fulfilled customer orders during the second and third quarters of 2009. Inventory is expected to continue to decrease as the Company fulfills its backlog of sales orders. The following table summarizes the inventory balance at September 30, 2009 compared to December 31, 2008.

(thousands of Canadian dollars)	September 30 2009	December 31 2008	Change
Raw materials	2,993	3,044	(51)
Work-in-progress	4,557	6,082	(1,525)
Finished goods	4,363	3,868	495
	11,913	12,994	(1,334)

Work-in-progress, substantially represented by confirmed orders, decreased by \$1.5 million to \$4.6 million. The decrease is the result of timing of the production dates for customer orders. Raw materials remained at \$3.0 million as levels of carbon fibre and aluminum tube remained constant. Finished goods inventory increased by \$0.5 million to \$4.4 million from \$3.9 million at December 31, 2008.

Accounts payable at September 30, 2009 were \$4.8 million, compared to \$6.4 million as at December 31, 2008. This decrease is representative of the decrease in research and development expenses during the second and third quarters of 2009 when compared to research and development expenses during the fourth quarter of 2008. Dynetek's major development contract with Magna Steyr will be virtually completed at December 31, 2009.

Deferred revenue at September 30, 2009 was less than \$0.1 million, a decrease of \$1.0 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 this contract during the fourth quarter of 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 estimates it has \$0.4 million to be repaid within a one year period. During the first nine months of 2009, the Company did not receive funding from NRCan in the form of long-term debt. Principal repayments for the BDC mortgage began in September 2009. Since the inception of the BDC mortgage in March 2008, the repayments were only for interest expense. Under certain conditions, the Company can elect to defer repayment of mortgage principal for up to six months.

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 September 30, 2009, the Company had drawn \$1.0 million on this facility and was in compliance with all bank covenants. No amounts were drawn down on this credit facility at 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 nine months ended September 30, 2009, the Company purchased under normal terms and conditions \$1.6 million (2008 - \$1.5 million) and \$4.1 million (2008 - \$3.4 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 December 31, 2008	20,936,500	52,418
Stock options exercised	10,000	2
Balance at September 30, 2009	20,946,500	52,420

	September 30 2009	December 31 2008
Securities convertible into common shares:		
Stock options	1,372,000	1,561,500
Warrants	670,111	680,117

As at November 9, 2009, common shares outstanding were 20,946,500, options outstanding were 1,372,000 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 May, 2009, the Canadian Accounting Standards Board re-confirmed that IFRS will be required for interim and annual financial statements commencing on 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 developed a changeover plan. There are three phases to the changeover plan: initial assessment, detailed assessment and implementation. The Company is currently completing the initial assessment phase that includes documenting the significant differences between Canadian GAAP and 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 ('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 September 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 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 storage revenue streams through targeted marketing initiatives. 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. During the third quarter of 2009, Dynetek substantially completed installing its hydrogen fuel system to be used in twenty hydrogen buses that will operate during the 2010 Winter Olympics.

An independent study has forecasted the market for CNG vehicles to significantly grow by year 2020. In 2020, it is forecasted that CNG vehicles will capture 12% market share in the United States, 14% in Europe and 11% in Asia with ten million new CNG vehicles each year.

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

- New legislation to improve and maintain not only the North American environment but in other countries as well.
- Worldwide adoption of NGVs continues to be strong.
- A growing natural gas infrastructure. Continuing investment in infrastructure is adding to the number of compressed natural gas refueling centers.

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. Stationary storage will be another segment that the Company expects to explore and develop. Dynetek will continue to market and deliver its Mobile Gas Distribution System, a lightweight tube trailer designed for the gas utility industry. Currently, Dynetek continues to develop and test new products for the CNG market including its own 20 foot container for gas transportation purposes and a major new product line.

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.

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)	2009	2008	2009	2008
Net loss and Comprehensive Loss	(274)	(36)	(1,397)	(2,576)
Future income tax	-	-	-	-
Stock based compensation	27	21	77	63
Net foreign exchange (gain) loss	(143)	(64)	23	(504)
Depreciation and Amortization	595	629	1,767	1,897
Interest	94	106	237	282
Non-GAAP measure - EBITDA	299	656	707	(838)

Working Capital and Non-Cash Working Capital

GAAP Measures from Consolidated Balance Sheets	Sept 30 2009	Sept 30 2008
(thousands of Canadian dollars – unaudited)		
Accounts receivable	8,398	6,978
Inventory	11,913	12,460
Prepays and other	244	185
Accounts payable and accrued liabilities	(4,785)	(5,601)
Operating bank line	(1,005)	-
Deferred revenue	(25)	(827)
Current portion of long-term debt and capital lease	(816)	(413)
Non-GAAP measure – Non-Cash Working Capital	13,924	12,782
Add: Cash and Restricted cash	1,096	2,898
Non-GAAP measure - Working Capital	15,020	15,680

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.