



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.

For further information, please contact:
Christian Rasche, President and CEO
Dynetek Industries Ltd.
4410 46th Avenue SE
Calgary, Alberta T2B 3N7
Tel Calgary: 403-720-0262
Tel Germany: + 49 2102 30963-20
Toll free: 1-888-396-3835
Fax Calgary: 403-720-0263
Fax Germany: +49 2102 30963-10
Web: www.dynetek.com

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.

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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 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
(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.

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.