QUARTERLY REPORT

PERIOD ENDED JUNE 30, 2009

601 NE 26TH COURT
POMPANO BEACH, FL 33064
TEL: 954-943-8721
FAX: 954-788-6565

WWW.CYCLONEPOWER.COM

Item 1 **Exact name of the issuer and address of its principal executive offices.**

Cyclone Power Technologies, Inc.

Formerly: Coastal Technologies, Inc. until 7-07
Formerly: SmartData, Inc. until 11-05
Formerly: Netcoast Communications, Inc. until 10-04

601 NE 26th Court
Pompano Beach, FL 33064
Tel: 954-943-8721
Fax: 954-788-6565
www.cyclonepower.com

Investor Relations:
Frankie Fruge
frankie@cyclonepower.com

Item 2 **Shares Outstanding.**

COMMON STOCK

	Q2 2009	**FYE 2008**	**FYE 2007**
Shares Authorized	1,000,000,000	1,000,000,000	1,000,000,000
Shares Outstanding	92,688,753	83,016,048	61,648,436
Freely Tradable	33,936,339	30,653,471	27,999,841
Beneficial Shareholders	2,297	2,031	1,226
Total Shareholders of Record	2,781	2,505	1,592

SERIES A CONVERTIBLE PREFERRED STOCK

	Q2 2009	**FYE 2008**	**FYE 2007**
Shares Authorized	1,000,000 (1)	1,000,000 (1)	1,000,000(1)
Shares Outstanding	500,000	500,000	500,000
Freely Tradable	0	0	0
Beneficial Shareholders	22	22	22
Total Shareholders of Record	22	22	22

(1) Includes all preferred stock authorized, regardless of series or class.

SERIES B PREFERRED STOCK

	Q2 2009	FYE 2008	FYE 2007
Shares Authorized	1,000,000(1)	1,000,000(1)	1,000,000(1)
Shares Outstanding	1,000	1,000	1,000
Freely Tradable	0	0	0
Beneficial Shareholders	2	2	2
Total Shareholders of Record	2	2	2

(1) Includes all preferred stock authorized, regardless of series or class.

Warrants. The Company has issued the following Warrants to purchase shares of its Common Stock:

Shares Exercisable	Exercise Price	Vesting	Termination
8,000,000	$.25	May 1, 2010(1)	May 1, 2011(1)
1,853,775(2)	$.19	Aug. 1, 2010(3)	Aug. 1, 2012(3)

(1) Estimated date of Vesting and Termination based upon contractual commencement of engine manufacturing.
(2) Estimated number of shares based on 2% of the total current issued and outstanding shares of common stock. This warrant was issued after the end of the June 30, 2009 period.
(3) Estimated date of Vesting and Termination based upon contractual delivery of prototype engines.

Item 3 Interim Financial Statements.

Interim Financial Statements for the period ended June 30, 2009 have been attached to the end of this Quarterly Report and are ordered as follows:

Item 4 Management's Discussion and Analysis or Plan or Operation

While the Company has started to generate revenue from its operations in 2009, it has not had material or consistent revenue in each of the last two fiscal years. In order for the Company to maintain and expand its operations through the next 12 months, it must:

1. Continue to raise through capital infusions, either by means of equity or debt offerings, a minimum of $1 million and up to $5 million; or

2. Continue to secure license and development agreements that provide up-front fees or guaranteed royalties, in a minimum amount of $1 million and up to $5 million.

While the Company is actively engaged in both capital raising and licensing activities, management can make no assurances that such efforts will result in securing all of the needed funding for the Company. If such funds cannot be raised or otherwise generated, the Company may be forced to reduce staff, minimize its research and development activities, or in a worst case scenario, shut-down operations. Management is cautiously optimistic, however, that it will be able to generate the funding required to continue and expand its operations over the long term. Currently, management believes that the Company has cash reserves and cash commitments to sustain operations through the end of the year.

Private Placements. In the quarter ended June 30, 2009, the Company sold 2,403,567 shares of restricted common stock in private placements under Regulation D and Regulation S of the Securities Act of 1933, as amended, for $321,085 in net cash proceeds, which was used for general administrative, research and development, and marketing activities. Additionally in the quarter, 312,500 shares were issued for $25,000 received by the Company in a previous period.

Stock for Services. Despite its limited cash resources, the Company is able to retain engineering, consulting, legal and accounting personnel partially through the issuance of restricted common stock. In the quarter ended June 30, 2009, the Company issued 1,095,000 shares of restricted stock in lieu of $219,000 in cash compensation. Management believes that the agreement of these individuals to forego some or all of their agreed upon cash compensation for shares of restricted common stock demonstrates a strong dedication and long-term commitment to the Company, its technology and its future prospects.

Research & Development. As a research and development company, a material portion of all funds raised or generated through operations are placed back into the R&D activities of the Company. The Company's R&D expenditures were $330,604 for the quarterly period ended June 30, 2009. The Company also spent $62,826 on U.S. and international patent filings in the quarter.

Commitments for Capital Expenditures. In the second quarter of 2009, the Company acquired $32,440 of leasehold improvements via a two-year capitalized lease. It does not immediately anticipate a further purchase of facilities or significant equipment; however, should additional funding be secured, some proceeds will be used to purchase capital equipment used for development and testing of its technology. Additionally, should adequate funding be secured, the Company expects to increase the number of skilled and unskilled employees on payroll, including the recruitment of high level executive management and additional engineers and mechanical staff. Such new hires will considerably increase the Company's monthly operational expenses.

License Agreements. During the quarter ending June 30, 2009, the Company consummated: (1) a License Agreement with Renovalia Energy SA of Madrid, Spain, for solar thermal engines, and (2) a License Agreement with Waste Heat Resources, Inc., of Londonderry, NH, for waste heat recovery engines. Additionally, subsequent to the end of the quarter, the Company consummated a License Agreement with Phoenix Power Group, LLC, of Memphis, TN, for engines to be used with their waste oil recovery and power generation systems. The consummation of these three licenses should provide the Company with material fees over the next 12 months and strong positioning in the rapidly growing renewable power field.

Renovalia License. As previously reported, Renovalia is one of the leading renewable energy companies in the world with over 500 MW of alternative power currently in its portfolio, including the largest photovoltaic solar power farm in the world. The license with Renovalia provides them with exclusive worldwide rights to manufacture and use the Cyclone Engines with their solar thermal solutions. Currently, the Company is developing with Renovalia a compact heat-regenerative engine (called Cyclone Solar I) to be coupled with their concentrating systems. For this right, Cyclone will initially receive $550,000 in development fees over the following six to nine months as work progresses (the first payment of $150,000 was received in the quarter ending June 30, 2009 and recorded as deferred revenue), and then on-going royalties on each Cyclone Solar I engine produced. Renovalia has agreed to pay minimum royalties over the life of the agreement in an amount over $3 million. The Company has also issued to Renovalia a stock purchase warrant for eight million shares of restricted common stock, which vests upon the completion of the first Cyclone Solar I prototype by Renovalia and terminates 12 months thereafter. The warrant is exercisable at a strike price of $.25 per share.

Waste Heat Resources License. As previously reported, the Company's license with Waste Heat Resources provides them with the non-exclusive, US and Canadian rights to utilize Cyclone Engines for industrial waste heat recovery and electric power generation. More specifically, they will assist Cyclone in modifying the 95HP Mark V Engine, originally designed for automotive uses, to run on heat harvested from industrial furnaces, foundries and other massive heat-producing (and wasting) equipment. For these rights, Waste Heat Resources has committed to paying the Company $500,000 in license fees over the next six to 12 months, and then on-going royalties based upon the total installation cost of their waste heat projects. The initial payment to the Company has not been made by the licensee as of the end of the quarter, and it is too early to forecast royalty revenue from such projects.

Phoenix Power Group License. The Company's license with Phoenix Power Group provides them with the exclusive North American and Australian rights to utilize Cyclone Engines for power generators utilizing waste oil fuels, such as used automotive motor oil. Phoenix is an affiliate of Atlantic Systems Group, of Harrisonburg, VA, which is in the business of designing and building automotive oil change and services facilities throughout the U.S.

Under its license, Phoenix will pay the Company $400,000 in license and development fees over the nine to 12 months, $150,000 of which has been received after the end of the quarter, and then on-going royalties on each Cyclone Engine produced. Phoenix has agreed to pay minimum royalties over the life of the agreement in an amount exceeding $4 million in order to maintain its exclusive rights. The Company has also issued to Phoenix a stock purchase warrant for a number of shares of common stock equal to two percent of the total issued and outstanding common stock of the Company, which vests upon the delivery of the first two prototype Cyclone Mark V Engines to Phoenix and payment by Phoenix of the full $400,000 license fee, and terminates 24 months thereafter. Currently this warrant would be exercisable into approximately 2 million shares and is exercisable at a strike price of $.19 per share.

Phoenix Power has also brought to this deal an exclusive license with Mr. Terry Bassett, who holds two U.S. patents, with international patent applications pending, for the total system package of generating electric power from waste oil using an external combustion engine. Additionally, Phoenix Power's equity partners include Hansom James Capital, whose principals founded Tennessee-based AIMS Logistics, Inc. in 1994, which, when it sold to U.S. Bancorp in 2007, employed over 300 people internationally and processed approximately $5 billion annually in freight payables on behalf of clients that included Honeywell International, General Electric, and Nortel Networks. Management is confident that Phoenix Power has the skills and resources to bring its engines to market within a reasonable period of time.

Results of Operations

<u>Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008</u>

Revenues. Revenues for the three months ended June 30, 2009 were $50,000 as compared to $0 for the three months ended June 30, 2008. The increase in revenues is due to the recognition timing of license fees in 2009. The Company was primarily an R&D developmental company prior to 2009.

Gross Profit. For the three months ended June 30, 2009, gross profit was $22,787 reflective of license fees and related product cost expenses. There was no equivalent activity in 2008.

Operating Expenses. Total operating expenses for the three months ended June 30, 2009 were $746,785 as compared to $322,188 for the three months ended June 30, 2008, an increase of $424,597 or 132%. The majority of the increase was due to $154,000 from restricted stock based compensation issued during the quarter of 2009 and higher spending on R&D in the amount of $199,395 (152%). Management expects higher R&D spending to continue as funds are available.

Income and Earnings per Share. The net loss for the three months ended June 30, 2009 was ($724,397) compared to a net loss of ($331,393) for the three months ended June 30, 2008, a higher loss of ($393,004) due the above items. The loss per share was ($.01) for the three months ended June 30, 2009 versus ($.01) for the three months ended June 30, 2008.

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Revenues. Revenues for the six months ended June 30, 2009 were $94,938 as compared to $1,000 for the six months ended June 30, 2008, an increase of $93,938. This increase is due to 2009 license fee income and product delivery revenues, while the Company was primarily an R&D developmental company prior to 2009.

Gross Profit. Gross profit for the six months ended June 30, 2009 was $49,596 as compared to $1,000 for the six months ended June 30, 2008, an increase of $48,596. For the six months ended June 30, 2009, the Company's gross margin was 52% as a percentage of net sales.

Operating Expenses. Operating Expenses incurred for the six months ended June 30, 2009 were $1,164,209 as compared to $581,639 for the six months ended June 30, 2008, an increase of $582,570 (100%). The majority of the increase was due to $340,526 greater engine R&D expenses and the issuance of additional restricted common stock valued at $229,503 for consulting and professional services.

Income and Earnings per Share. The net loss for the six months ended June 30, 2009 was ($1,127,345) compared to net loss of ($598,742) for the six months ended June 30, 2008, a higher loss of ($526,603) or 88%. This variance is due to the factors outlined above. Net loss per weighted average share was ($0.01) for both the six months ended June 30, 2009 and 2008.

Liquidity and Capital Resources

At June 30, 2009, net working capital was negative ($1,298,982) as compared with ($1,131,411) at December 31, 2008, a decrease of ($167,571). The increase in cash to $211,675 at June 30, 2009 versus the $1,366 balance at December 31, 2008 was largely due to higher deferred revenue (and customer deposits) of $163,489, an increase in related party accounts and loans payable of $246,236 (primarily deferred and accrued officers' salary), sale of company stock for $750,406, and the issuance of 5,964,968 common shares (to conserve cash) valued at $47,835 for R&D and $253,318 charged to general and administrative expenses. Funds for the six months were used by the net loss of $1,127,345, expenditures for patents and trademarks of $106,538, fix asset additions of $48,800, and net repayment of loans of $39,585.

If we need to obtain capital, no assurance can be given that we will be able to obtain this capital on acceptable terms, if at all. In such an event, this may have a materially adverse effect on our business, operating results and financial condition. If the need arises, we may attempt to obtain funding or pay expenses through the continued sale or issuance of restricted stock. We may also use various types of short term funding, related party advances and expenses payment deferrals and external loans. Management is cautiously optimistic that it will be able to generate the funding required to continue and expand its operations over the long term, and believes that it currently has cash reserves and cash commitments available to fund operations through the end of the year or longer.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements at this time.

Item 5 Legal Proceedings.

The Company is not engaged in any legal proceedings, or threatened proceedings, that have not been previously disclosed. During the period ended June 30, 2009, the Company settled a matter regarding a rescinded acquisition that occurred in 2004, prior to the current management assuming control. The terms of that settlement are subject to a confidentiality agreement; however, the Company can report that any consideration it provided was not material to the Company's results of operations or overall shareholder value.

Item 6 Defaults Upon Senior Securities.

The Company has no defaults upon senior securities.

Item 7 Other Information.

(a) For the fiscal quarter ended June 30, 2009, the Company issued shares of its common stock in private offerings and for services as follows:

Date	# of Shares	Amount Paid	Nature of Offering	Trading Status/Restrictions
6/25/09	191,875	$31,250	Regulation D/S	Restricted as per Reg S/144
6/15/09	150,000	$30,000	Services Rendered	Restricted as per Rule 144
6/04/09	280,639	$22,319	Regulation S	Restricted as per Reg S/144
6/04/09	2,000,000	$10,000	Note Conversion	Restricted as per Rule 144
6/01/09	325,000	$65,000	Services Rendered	Restricted as per Rule 144
5/15/09	140,000	$28,000	Services Rendered	Restricted as per Rule 144
5/15/09	447,500	$49,870	Regulation D	Restricted as per Rule 144
5/04/09	480,000	$96,000	Services Rendered	Restricted as per Rule 144
4/24/09	1,710,328	$226,000	Regulation D	Restricted as per Rule 144
4/16/09	85,725	$16,645	Regulation S	Restricted as per Reg S/144

(b) Subsequent to the period ended June 30, 2009, the Company amended its Articles of Incorporation to perfect authorization and increase the number of shares of Series A Convertible Preferred stock from 500,000 to 550,000. The amendment to increase the Series A Preferred shares does not affect the rights of the Common Stock shareholders, but does dilute the interest of the other Series A Preferred shareholders. The amendment was duly approved by the Company's Board of Directors pursuant to Florida corporate statutes.

Item 8 Exhibits.

Technology License Agreement between the Company and Renovalia Energy S.A., dated May 4, 2009, the material terms of which are described in Item 4 of this Quarterly Report: "Management's Discussion and Analysis – License Agreements".

Systems Application License Agreement between the Company and Waste Heat Resources Inc., dated April 18, 2009, the material terms of which are described in Item 4 of this Quarterly Report: "Management's Discussion – License Agreements".

Systems Application License Agreement between the Company and Phoenix Power Group LLC, dated July 30, 2009, the material terms of which are described in Item 4 of this Quarterly Report: "Management's Discussion and Analysis – License Agreements".

Amendment to Articles of Incorporation, dated July 24, 2009, filed concurrently herewith.

Item 9 Issuer's Certifications

I, Harry Schoell, CEO of Cyclone Power Technologies, Inc., certify that:

1. I have reviewed the Quarterly Report for the period ended June 30, 2009, of Cyclone Power Technologies, Inc.
2. Based upon my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based upon my knowledge, the financial statements and other financial information included or incorporated by reference in this Quarterly Report fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

August 6, 2009

Harry Schoell
CEO & Chairman

I, Frankie Fruge, COO and Controller of Cyclone Power Technologies, Inc., certify that:

1. I have reviewed the Quarterly Report for the period ended June 30, 2009, of Cyclone Power Technologies, Inc.
2. Based upon my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based upon my knowledge, the financial statements and other financial information included or incorporated by reference in this Quarterly Report fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

August 6, 2009

Frankie Fruge
COO & Controller

CYCLONE POWER TECHNOLOGIES, INC.
FINANCIAL STATEMENTS
QUARTER ENDED
JUNE 30, 2009

Cyclone Power Technologies Inc.
Balance Sheets
June 30, 2009 and December 31, 2008
(unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash	$ 211,675	$ 1,366
Accounts receivable	53,245	87,245
Inventory	14,190	18,129
Other Current Assets	2,803	0
Total current assets	281,913	106,740
PROPERTY AND EQUIPMENT		
Furniture, fixtures, and equipment	96,280	47,880
Less: Accumulated depreciation	(34,644)	(28,185)
Net property and equipment	61,636	19,695
OTHER ASSETS		
Patents, Trademarks and Copyrights	393,285	317,389
Less: Accumulated amortization	(70,767)	(64,018)
Net patents, trademarks and copyrights	322,518	253,371
Total Assets	$ 666,067	$ 379,806
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Notes and loans payable	$ 31,458	$ 81,043
Capitalized Leases-Current Portion	11,137	-
Accounts payable and accrued expenses	145,479	174,012
Deferred Revenue	225,000	61,511
Accounts and loans payable-related party	1,167,821	921,585
Total current liabilities	1,580,895	1,238,151
NON CURRENT LIABILITIES		
Capitalized Leases-Net of Current Portion	9,303	-
Total non-current liabilities	9,303	-
Total liabilities	1,590,198	1,238,151
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred Stock A, $.0001 par value, 500,000 shares authorized, 500,000 shares issued and outstanding	50	50
Preferred Stock B, $.0001 par value, 500,000 shares authorized, 1,000 shares issued and outstanding	-	-
Common stock, $.0001 par value, 1,000,000,000 shares authorized; 92,688,753 and 83,016,048 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	9,269	8,302
Additional paid-in capital	5,497,804	4,437,212
Accumulated (deficit)	(6,431,254)	(5,303,909)
Total stockholders' equity (deficit)	(924,131)	(858,345)
Total Liabilities and Stockholders' Equity (Deficit)	$ 666,067	$ 379,806

The accompanying notes are an integral part of the financial statements

Cyclone Power Technologies Inc.
Statement of Operations
For the Six Months Ending June 30, 2009 and 2008
(unaudited)

	Six Months Ending June. 30, 2009	Six Months Ending June 30, 2008
REVENUES	$ 94,938	$ 1,000
COST OF GOODS SOLD	45,342	-
Gross Profit	49,596	1,000
OPERATING EXPENSES		
Advertising and Promotion	30,785	42,724
General and Administrative	567,081	313,098
Research and Development	566,343	225,817
Total operating expenses	1,164,209	581,639
Operating income (loss)	(1,114,613)	(580,639)
OTHER INCOME (EXPENSE)		
Other Income (Expense)	10,387	-
Interest (expense)	(23,119)	(18,103)
Total other income (expense)	(12,732)	(18,103)
Loss before provision for income taxes	(1,127,345)	(598,742)
Provision for Income taxes	-	-
Net income (loss)	$ (1,127,345)	$ (598,742)
Net income (loss) per common share, basic	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	87,037,627	62,977,657

The accompanying notes are an integral part of the financial statements

Cyclone Power Technologies Inc.
Statement of Operations
For the Three Months Ending June 30, 2009 and 2008
(unaudited)

	Three Months Ending June 30, 2009	Three Months Ending June 30, 2008
REVENUES	$ 50,000	$ -
COST OF GOODS SOLD	27,213	-
Gross Profit	22,787	-
OPERATING EXPENSES		
Advertising and Promotion	18,711	31,030
General and Administrative	397,470	159,949
Research and Development	330,604	131,209
Total operating expenses	746,785	322,188
Operating income (loss)	(723,998)	(322,188)
OTHER INCOME (EXPENSE)		
Other Income (Expense)	10,387	-
Interest (expense)	(10,786)	(9,205)
Total other income (expense)	(399)	(9,205)
Loss before provision for income taxes	(724,397)	(331,393)
Provision for Income taxes	-	-
Net income (loss)	$ (724,397)	$ (331,393)
Net income (loss) per common share, basic	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	89,413,839	64,436,824

The accompanying notes are an integral part of the financial statements

Cyclone Power Technologies Inc.
Statement of Stockholders' (Deficit)
June 30, 2009
(unaudited)

	Preferred Stock A		Preferred Stock		Common Stock		Additional Paid In	Accumulated	Total Stockholders
	Shares	Value	Shares	Value	Shares	Value	Capital	(Deficit)	(Deficit)
Balance, December 31, 2007	500,000	$ 50	1,000	$ -	61,648,436	$ 6,165	$ 2,616,230	$ (3,025,333)	$ (402,888)
Issuance of restricted shares for services					7,915,197	792	756,792		757,584
Sale of common stock					9,994,824	999	715,793		716,792
Conversion of debt & liabilites to common stock					3,457,591	346	348,397		348,743
Net (loss) year ending Dec. 31, 2008								(2,278,576)	(2,278,576)
Balance, Dec. 31, 2008	500,000	$ 50	1,000	$ -	83,016,048	$ 8,302	$ 4,437,212	$ (5,303,909)	$ (858,345)
Issuance of restricted shares for services					1,707,737	171	300,982		301,153
Sale of common stock					5,964,968	596	749,810		750,406
Issuance of restricted shares for debt conversion					2,000,000	200	9,800		10,000
Net (loss) 6 months ending June. 30, 2009								(1,127,345)	(1,127,345)
Balance, June. 30, 2009	500,000	$ 50	1,000	$ -	92,688,753	$ 9,269	$ 5,497,804	$ (6,431,254)	$ (924,131)

The accompanying notes are an intergral part of the financial statements

Cyclone Power Technologies Inc.
Statements of Cash Flows
For the Six Months Ending June 30, 2009 and 2008
(unaudited)

	Six Months Ending June 30, 2009	Six Months Ending June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,127,345)	$ (598,742)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation & Amortization	16,959	12,988
Issuance of restricted common stock for services	301,153	71,650
Write-off of abandoned patent	24,715	-
Forgiveness of debt income	10,387	
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	34,000	42,756
(Increase) decrease in inventory	3,939	(3,532)
(Increase) decrease in other assets	(2,803)	
Increase (decrease) in deferred revenue and deposits	163,489	60,999
Increase (decrease) in accounts payable and accrued expenses	(36,745)	176,884
Net cash provided (used) by operating activities	(612,251)	(236,997)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures incurred for Patents, Trademarks and Copyrights	(106,538)	(44,913)
Expenditures for Fixed Assets	(27,960)	(11,018)
Net cash provided (used) by investing activities	(134,498)	(55,931)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in loans-net	(39,585)	4,227
Proceeds from sale of common stock	750,406	424,274
Increase (decrease) in related party loans and payables-net	246,236	40,043
Net cash provided (used) by financing activities	957,057	468,544
Net increase (decrease) in cash	210,308	175,616
CASH and equivalents, beginning of period	1,366	25,863
CASH and equivalents, end of period	$ 211,674	$ 201,479
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Payment of taxes in cash	$ -	$ -
Payment of interest in cash	$ 224	$ -
NON CASH DISCLOSURES:		
Expenses paid with 1,707,737 and 518,572 shares of restricted common stock	$ 301,153	$ 71,650
Sale of 5,964,968 and 7,979,523 shares of common stock	750,406	424,274
Conversion of debt by issuing 2,000,000 and 333,329 sales of common stock	10,000	20,000

The accompanying notes are an integral part of the financial statements

CYCLONE POWER TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND OPERATIONS

Cyclone Power Technologies, Inc. (the "Company") is the successor entity to the business of Cyclone Technologies LLLP (the "LLLP"), a limited liability limited partnership formed in Florida in June 2004. The LLLP was the developer and patent holder of the Cyclone Engine Technology.

Prior to July 2, 2007, the Company was a California corporation named Coastal Technologies, Inc., engaged in the business of medical software development. In June 2007, the Company re-domiciled to the state of Florida (from California) and changed its name to Cyclone Power Technologies, Inc.

On July 2, 2007, the Company acquired all of the assets and liabilities of the LLLP in exchange for 33,000,000 restricted shares of common stock and 501,000 shares of preferred stock (the "Acquisition"). Concurrently with the Acquisition, the management of the LLLP took control of the Board of Directors of the Company, and the assets of the Company related to its medical software business were spun-off to an entity controlled by the previous management of the Company.

The Company is a research and development company whose sole purpose is to develop, commercialize and market licenses for its Cyclone Engine Technology. The Company has only begun to recognize revenues in the quarter ending March 31, 2009; prior to that time, it was a developmental company.

B. BASIS OF ACCOUNTING AND PRESENTATION

The Company utilizes the accrual method of accounting, whereby revenue is recognized when earned and expenses when incurred. The unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and these adjustments are of a normal recurring nature. The results of operations for the six and three months ended June 30, 2009 are not necessarily indicative of the results for the full fiscal year ending December 31, 2009. These financial statements should be read in conjunction with the financial statements for the year ended December 31, 2008. Prior year information, as presented, has been reclassified to conform to the current presentation.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand; cash in banks and any highly liquid investments with maturity of three months or less at the time of purchase. The Company maintains cash and cash equivalent balances at several financial institutions, which are insured by the Federal Deposit Insurance Corporation up to $250,000.

E. COMPUTATION OF EARNINGS PER SHARE

Net income per share is computed by dividing the net income by the weighted average number of common shares outstanding during the period. Net income per share, diluted, is not presented as the preferred stock could have a dilutive effect.

F. INCOME TAXES

In February 1992, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards 109 of "Accounting for Income Taxes." Under Statement 109, adopted by the company, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

G. REVENUE RECOGNITION

Revenue for non refundable license and development fees is recognized upon the execution and closing of the license agreement for the amount of the license fee, or in some cases, over the initial development period of the applicable agreements. License fees are generally due upon the execution of the license agreement, and also in periodic installments during the development period of the agreement, consummating in a final payment upon delivery by the Company of prototype engines to the customer. Revenue from continuing royalty payments are estimated and accrued as earned. Any adjustments between actual royalty payments and estimates are made to current operations in the period they are determined. The Company has received license and development fees, but has not had revenue from continuing royalties as of yet.

H. FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, “Disclosures about Fair Value of Financial Instruments”, requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate the value. For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The carrying amounts reported in the balance sheet for cash, accounts receivable, inventory, accounts payable and accrued expenses, and loans payable approximate their fair market value based on the short-term maturity of these instruments.

NOTE 2 - GOING CONCERN

As shown in the accompanying financial statements, the Company incurred substantial net losses for the six months ending June 30, 2009 of $1,127,345, for the year ending December 31, 2008 of $2,278,576, and $6,431,254 cumulatively since inception. It has a working capital deficit at June 30, 2009 of $1,298,982. There is no guarantee whether the Company will be able to generate enough revenue and/or raise capital to support its operations. This raises substantial doubt about the Company’s ability to continue as a going concern. Management states that they are confident that they can improve operations and raise the appropriate funds to grow their underlying business. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. The Company is currently raising working capital to fund its operations via private placements of common stock and advances from and deferred payments to related parties. The Company has raised $750,406 from the sale of 5,964,968 shares of common stock for the six months ending June 30, 2009.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from licenses and development agreements with licensees and other clients of the Company, and research and development prototype charges.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 and December 31, 2008 consists of the following:

	June 30, 2009	Dec. 31 2008
Display Equipment for Trade Shows	$ 9,648	$ 9,648
Leasehold Improvements	39,056	0
Equipment and Computers	47,576	38,232
Total	96,280	47,800
Less: Accumulated Depreciation	34,644	28,185
Net Property and Equipment	$ 61,636	$ 19,695

Depreciation expense for the six months ending June 30, 2009 and for the year ending December 31, 2008 was $56,459 and $24,732 respectively. In June 2009, the company acquired $32,440 of leasehold improvements via a capitalized lease. The balance of payments is for 24 months, at $1,022 per month.

NOTE 5 – PATENTS AND TRADEMARKS AND COPYRIGHTS

The Cyclone Engine is currently protected under U.S. Patent # 7,080,512, and its steam generator component is protected under U.S. Patent # 7,407,382. Additionally, the Company has filed patent applications in the U.S. on seven other major components of the engine, as well as the Waste Heat Engine. The Company also has received patents in seven countries and patents pending in five more countries for the Cyclone Engine; and has patent applications pending in all these foreign jurisdictions for two of its major engine components. The Company plans to continue to pursue patent protection in the U.S. and internationally for it intellectual property.

The Company has filed trademark applications in the U.S. for Cyclone Power Technologies, Cyclone Power, WHE, WHE Generation, and Generation WHE.

Patents, trademarks and copyrights consist of legal fees paid to file and perfect these claims. For the six months ending June 30, 2009, $106,538 was capitalized. Patents, trademarks and copyrights are amortized over the life of the intellectual property which is 20 years. Amortization for the six months ending June 30, 2009 and the year ended December 31, 2008 was $10,500 and $56,278 respectively. The company wrote off $24,715 for an abandoned patent in the second quarter of 2009.

NOTE 6 – CONVERTIBLE NOTE AND OTHER LOANS PAYABLE

The convertible note originally payable for $62,275, with a 6% annual interest rate, payable on demand, was transferred to the Company on July 2, 2007 as part of the Asset Acquisition of the assets and liabilities of the LLLP. On July 17, 2007, $18,000 of the note was converted into 6,000,000 restricted common shares of the Company, on October 17, 2008, $3,000 was converted into 1,000,000 restricted common shares, and on June 4, 2009, $10,000 was converted into 2,000,000 shares of restricted stock. In April 2009, the Company renegotiated the terms of the convertibility of this Note with its holder. Under these new terms, the principal balance of the note was reduced to $40,000, the interest rate was reduced to 0%, and the holder agreed not to convert more than 2 million shares currently and then 2 million shares in any 12 month period, starting on July 1, 2009 and ending July 1, 2011.The balance on the note as of June 30, 2009 was $25,950 after recognizing $10,387 of gain on forgiveness on debt and all accrued unpaid interest.

NOTE 7 – RELATED PARTY TRANSACTIONS

A. RELATED PARTY NOTES PAYABLE

At June 30, 2009, related party notes and accounts payable, include $514,467 due to Schoell Marine which is owned by Harry Schoell, who is the inventor of the Cyclone Engine and Chief Executive Officer of the Company. This note consists of services and salaries incurred by Schoell Marine on behalf of the Company. Schoell Marine also owns the building that is leased to the Company. The Schoell Marine note bears an interest rate of 6% and repayments occur as cash flow of the Company permit. The note is secured by a UCC-1 filing on the Company's patents and patent applications. During the six months ended June 30, 2009, $48,000 was paid on the note balance.

Also included in related party payables is $527,673 of accrued and deferred officers' salaries compensation which can be paid in 2009 if funds are available.

B. LEASE ON WAREHOUSE

The Company leases its 6,000 square foot warehouse and office facility located at 601 NE 26th Court in Pompano Beach, Florida. The informal lease between the Company and Schoell Marine provides for the Company to pay rent equal to the monthly mortgage payment on the building plus property taxes, rent, utilities and sales tax due on rent. Occupancy costs for the year ended December 31, 2008 were $72,253 and $38,160 for the six months ending June 30, 2009.

NOTE 8 – PREFERRED STOCK

Preferred stock consists of 500,000 Series A Convertible Preferred ("Series A") and 1,000 Series B Preferred ("Series B") shares. Series A shares are currently convertible into a number of common shares that, when combined with the 33 million common shares that the Series A holders held as of July 2, 2007, equal sixty percent (60%) of the then total issued and outstanding common shares. The Series A holders are the original equity holders of the LLLP. The conversion of the Series A shares will have the effect of diluting all other common stock shareholders. As of June 30, 2009, the Series A shares were convertible into approximately 57 million shares of common stock. The Series B shares are majority voting shares and are held by senior management. Ownership of the Series B shares assures the holders thereof a 51% voting control over the common stock of the Company. The Series B shares are convertible on a one-for-one basis with the common stock in the instance the Company is merged or sold.

NOTE 9 – CAPITAL TRANSACTIONS

As noted above in Footnote 1A, the Company is a research and development company and will not produce significant revenues until the technology has reached a point where licenses can be sold to companies that can utilize the Cyclone Engine Technology to produce marketable products. Until this time, the Company relies on capital raised through loans, private placement memorandums and Regulation S transactions (stock sold to foreign investors) to fund operations; however, since the beginning of 2009, the Company has also begun to generate revenue from license and development fees earned in connection with certain license agreements.

During the six months ending June 30, 2009, the Company issued 1,707,737 shares of restricted stock, for services, of which $253,318 was charged to general and administrative services, and $47,835 was for Research and Development related services and activities.

During the six months ending June 30, 2009 the Company sold 5,964,968 shares of restricted common stock for $750,406, and converted $10,000 of debt into 2,000,000 shares of common stock.

NOTE 10 – INCOME TAX

Deferred assets and liabilities are measured using enacted tax rates in effect for the year in which temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred assets and liabilities from a change in tax rates is recognized in the period that includes the enactment date. For the three months ending June 30, 2009 and the year ending December 31, 2008 the effective income tax rate is:

	Period ending	
	June 30, 2009	Dec 31, 2008
Statutory federal income tax rate	34%	34%
Valuation allowance	(34%)	(34)
Effective tax rate	---%	--%

The Company has a net operating loss carry forward as of June 30, 2009 of approximately $4,700,000 which is offset by a 100% valuation allowance due to the uncertainty surrounding the ultimate realization of these assets. The loss carry-forward expires in 15 years commencing 2007. Prior to the merger at July 2, 2007, the company was a limited partnership, and all income tax considerations were reflected on the individual members' tax returns.

NOTE 12 – RECENT ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51.*" SFAS No. 160 amends ARB 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB 51's consolidation procedures for consistency with the requirements of SFAS No. 141(R). SFAS No. 160 is effective for fiscal years beginning December 15, 2008. The Company does not expect that this interpretation will have a material impact on its financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"), requiring disclosures about derivative instruments, and related hedged items. The Company does not believe that application of this FASB would have a material impact on the financial statements.

In April 2008, FASB Staff Position No. 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3) was issued. This revises the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. The Company is determining what the application of this Staff Position would have on the financial statements.

NOTE 13 – SUBSEQUENT EVENTS

After the end of the quarter the Company consummated a License Agreement with Phoenix Power Group, LLC, of Memphis, TN, for Cyclone engines to be used in waste oil recovery power generation systems. This agreement provides for up-front license and development fees to the Company and on-going royalty revenues based on production and sales of Cyclone engines by the respective licensees. As of the date of this filing, $150,000 in development fees has been paid by Phoenix under its agreement.