

DYNTEK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except share and per share data)

	<u>December 31, 2015</u>	<u>June 30, 2015</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,098	\$ 2,636
Accounts receivable, net	52,727	51,467
Work in process, net	9,131	6,809
Prepaid expenses and other current assets	759	1,250
Deferred income taxes	2,490	2,589
TOTAL CURRENT ASSETS	<u>68,206</u>	<u>64,751</u>
PROPERTY AND EQUIPMENT, net	462	469
DEFERRED FINANCING COSTS, net	221	151
DEFERRED INCOME TAXES, net	2,781	2,880
OTHER NON CURRENT ASSETS	5,086	5,476
TOTAL ASSETS	<u><u>\$ 76,756</u></u>	<u><u>\$ 73,726</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line of credit	\$ 22,000	\$ 16,000
Accounts payable	31,781	27,440
Accrued expenses	3,265	3,575
Deferred revenue	1,186	1,519
Current portion of Notes Payable, net	-	7,996
TOTAL CURRENT LIABILITIES	<u>58,232</u>	<u>56,529</u>
OTHER NON CURRENT LIABILITIES	97	72
TOTAL LIABILITIES	<u>58,329</u>	<u>56,601</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.0001 par value, 600,000 shares authorized; no shares issued or outstanding	-	-
Class A Common stock, \$.0001 par value, 5,400,000 shares authorized; 2,218,556 and 2,180,052 shares issued and outstanding as of December 31, 2015 and June 30, 2015 respectively	-	-
Additional paid-in capital	173,202	173,082
Accumulated deficit	(154,775)	(155,957)
TOTAL STOCKHOLDERS' EQUITY	<u>18,427</u>	<u>17,125</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 76,756</u></u>	<u><u>\$ 73,726</u></u>

DYNTEK, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except share and per share data)

	For the Quarter Ended December 31, 2015	Six Months Ended December 31, 2015	For the Quarter Ended December 31, 2014	Six Months Ended December 31, 2014
REVENUES				
Product revenues	\$ 35,771	\$ 71,002	\$ 31,434	\$ 66,819
Service revenues	8,121	16,409	8,760	16,935
TOTAL REVENUES	<u>43,893</u>	<u>87,412</u>	<u>40,194</u>	<u>83,754</u>
COST OF REVENUES				
Cost of products	30,551	60,185	26,737	56,417
Cost of services	6,778	13,613	7,231	13,806
TOTAL COST OF REVENUES	<u>37,329</u>	<u>73,798</u>	<u>33,968</u>	<u>70,224</u>
GROSS PROFIT	<u>6,564</u>	<u>13,614</u>	<u>6,226</u>	<u>13,530</u>
OPERATING EXPENSES:				
Selling	4,528	8,763	4,181	8,367
General and administrative	1,029	2,132	904	2,049
Depreciation and amortization	44	88	33	65
TOTAL OPERATING EXPENSES	<u>5,601</u>	<u>10,983</u>	<u>5,119</u>	<u>10,480</u>
INCOME FROM OPERATIONS	963	2,630	1,107	3,050
OTHER INCOME (EXPENSE):				
Interest expense	(297)	(661)	(319)	(647)
TOTAL OTHER EXPENSE	<u>(297)</u>	<u>(661)</u>	<u>(319)</u>	<u>(647)</u>
INCOME BEFORE INCOME TAXES	666	1,970	788	2,404
Income tax provision	267	788	315	961
NET INCOME	<u>\$ 399</u>	<u>\$ 1,182</u>	<u>\$ 473</u>	<u>\$ 1,443</u>
NET INCOME PER SHARE:				
Basic	<u>\$ 0.18</u>	<u>\$ 0.53</u>	<u>\$ 0.22</u>	<u>\$ 0.66</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.52</u>	<u>\$ 0.21</u>	<u>\$ 0.64</u>
WEIGHTED AVERAGE NUMBER OF SHARES:				
Basic	<u>2,218,556</u>	<u>2,218,556</u>	<u>2,171,352</u>	<u>2,171,352</u>
Diluted	<u>2,267,983</u>	<u>2,267,777</u>	<u>2,260,807</u>	<u>2,264,551</u>

DYNTEK, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited, in thousands)

	Six Months Ended December 31, 2015	Six Months Ended December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 1,182	\$ 1,443
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	88	65
Non-cash interest	175	259
Stock-based compensation	111	104
Deferred Income taxes	197	220
Changes in operating assets and liabilities:		
Accounts receivable	(1,260)	(311)
Work in process	(2,322)	(338)
Prepaid expenses and other current assets	491	(590)
Other non current assets	400	4,633
Accounts payable	4,342	663
Accrued expenses	(285)	(44)
Deferred revenue	(333)	(209)
Other long term liabilities	-	408
Total Adjustments	1,604	4,861
NET CASH USED IN OPERATIONS	2,786	6,304
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt financing	-	(5,133)
Repayment of prior line of credit	-	(11,500)
Borrowings under new line of credit, net	6,000	11,500
Deferred financing costs	(111)	(22)
Principal payments	(8,141)	-
Exercise of stock options	9	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	(2,243)	(5,155)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(81)	(197)
NET CASH USED IN INVESTING ACTIVITIES	(81)	(197)
NET INCREASE IN OPERATING CASH	462	952
CASH AT BEGINNING OF PERIOD	2,636	2,584
CASH AT END OF PERIOD	<u>\$ 3,098</u>	<u>\$ 3,536</u>