

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

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,416	\$ 2,841
Accounts receivable, net	49,263	62,394
Work in process, net	12,526	7,376
Prepaid expenses and other current assets	657	1,655
Deferred income taxes	1,528	1,550
TOTAL CURRENT ASSETS	<u>66,390</u>	<u>75,816</u>
PROPERTY AND EQUIPMENT, net	300	387
DEFERRED FINANCING COSTS, net	140	181
DEFERRED INCOME TAXES, net	5,238	5,306
OTHER NON CURRENT ASSETS	9,335	9,260
TOTAL ASSETS	<u><u>\$ 81,403</u></u>	<u><u>\$ 90,950</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line of credit	\$ 25,000	\$ 23,600
Accounts payable	28,574	37,709
Accrued expenses	2,360	4,661
Deferred revenue	1,785	1,291
TOTAL CURRENT LIABILITIES	<u>57,719</u>	<u>67,261</u>
OTHER NON CURRENT LIABILITIES	151	96
TOTAL LIABILITIES	<u>57,870</u>	<u>67,357</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; 2,264,390 and 2,221,056 shares issued and outstanding as of December 31, 2016 and June 30, 2016 respectively	-	-
Additional paid-in capital	173,373	173,616
Accumulated deficit	(149,840)	(150,023)
TOTAL STOCKHOLDERS' EQUITY	<u>23,533</u>	<u>23,593</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 81,403</u></u>	<u><u>\$ 90,950</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, 2016	For the Quarter Ended December 31, 2015	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
REVENUES				
Product revenues	\$ 28,921	\$ 35,771	\$ 50,235	\$ 71,002
Service revenues	7,178	8,121	15,592	16,409
TOTAL REVENUES	<u>36,099</u>	<u>43,893</u>	<u>65,827</u>	<u>87,412</u>
COST OF REVENUES				
Cost of products	24,058	30,551	41,719	60,185
Cost of services	6,312	6,778	13,102	13,613
TOTAL COST OF REVENUES	<u>30,371</u>	<u>37,329</u>	<u>54,821</u>	<u>73,798</u>
GROSS PROFIT	<u>5,728</u>	<u>6,564</u>	<u>11,006</u>	<u>13,614</u>
OPERATING EXPENSES:				
Selling	4,219	4,528	8,122	8,763
General and administrative	989	1,029	1,872	2,132
Depreciation and amortization	45	44	91	88
TOTAL OPERATING EXPENSES	<u>5,253</u>	<u>5,601</u>	<u>10,085</u>	<u>10,983</u>
INCOME FROM OPERATIONS	475	963	921	2,630
OTHER INCOME (EXPENSE):				
Interest expense	(317)	(297)	(618)	(661)
TOTAL OTHER EXPENSE	<u>(317)</u>	<u>(297)</u>	<u>(618)</u>	<u>(661)</u>
INCOME BEFORE INCOME TAXES	158	666	303	1,970
Income tax provision	<u>(63)</u>	<u>(267)</u>	<u>(121)</u>	<u>(788)</u>
NET INCOME	<u>\$ 96</u>	<u>\$ 399</u>	<u>\$ 182</u>	<u>\$ 1,182</u>
NET INCOME PER SHARE:				
Basic	<u>\$ 0.04</u>	<u>\$ 0.18</u>	<u>\$ 0.08</u>	<u>\$ 0.53</u>
Diluted	<u>\$ 0.04</u>	<u>\$ 0.18</u>	<u>\$ 0.07</u>	<u>\$ 0.52</u>
WEIGHTED AVERAGE NUMBER OF SHARES:				
Basic	<u>2,246,390</u>	<u>2,218,556</u>	<u>2,264,390</u>	<u>2,218,556</u>
Diluted	<u>2,432,789</u>	<u>2,267,983</u>	<u>2,442,124</u>	<u>2,267,777</u>

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

	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 182	\$ 1,182
Adjustments to reconcile net income to net cash (used in) provided by by operating activities:		
Depreciation and amortization	91	88
Non-cash interest	-	175
Provision for bad debt	(12)	-
Stock-based compensation	97	111
Deferred Income taxes	91	197
Changes in operating assets and liabilities:		
Accounts receivable	13,145	(1,260)
Work in process	(5,151)	(2,322)
Prepaid expenses and other current assets	998	491
Other non current assets	(34)	400
Accounts payable	(9,139)	4,342
Accrued expenses	(2,245)	(285)
Deferred revenue	495	(333)
Other long term liabilities	1	-
Total Adjustments	<u>(1,663)</u>	<u>1,604</u>
NET CASH (USED IN) PROVIDED BY OPERATIONS	<u>(1,481)</u>	<u>2,786</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(4)	(81)
NET CASH USED IN INVESTING ACTIVITIES	<u>(4)</u>	<u>(81)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit, net	1,400	6,000
Deferred financing costs	-	(111)
Principal payments	-	(8,141)
Payment of dividend	(340)	-
Exercise of options	-	9
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>1,060</u>	<u>(2,243)</u>
NET (DECREASE) INCREASE IN OPERATING CASH	(425)	462
CASH AT BEGINNING OF PERIOD	<u>2,841</u>	<u>2,636</u>
CASH AT END OF PERIOD	<u><u>\$ 2,416</u></u>	<u><u>\$ 3,098</u></u>