

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

	<u>December 31,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 5,406	\$ 2,691
Accounts receivable, net	50,718	66,536
Work in process	6,289	6,898
Prepaid expenses and other current assets	349	570
Deferred income taxes	1,099	1,336
<b>TOTAL CURRENT ASSETS</b>	<u>63,860</u>	<u>78,031</u>
PROPERTY AND EQUIPMENT, net	1,495	1,245
DEFERRED INCOME TAXES	355	1,066
OTHER NON CURRENT ASSETS	16,814	12,345
<b>TOTAL ASSETS</b>	<u>\$ 82,525</u>	<u>\$ 92,686</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Revolving line of credit	\$ 7,500	\$ 7,000
Accounts payable	38,818	51,714
Accrued expenses	3,223	5,173
Deferred revenue	1,860	1,146
<b>TOTAL CURRENT LIABILITIES</b>	<u>51,401</u>	<u>65,033</u>
OTHER NON CURRENT LIABILITIES	517	383
<b>TOTAL LIABILITIES</b>	<u>51,918</u>	<u>65,416</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
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; 2,304,692 and 2,288,924 shares issued and outstanding as of December 31, 2018 and June 30, 2018 respectively	-	-
Additional paid-in capital	172,843	172,598
Accumulated deficit	(142,236)	(145,329)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>30,607</u>	<u>27,270</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 82,525</u>	<u>\$ 92,686</u>

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

	<u>For the Quarter Ended December 31, 2018</u>	<u>For the Quarter Ended December 31, 2017</u>
REVENUES		
Product revenues	\$ 40,067	\$ 29,705
Service revenues	7,580	8,214
TOTAL REVENUES	<u>47,647</u>	<u>37,918</u>
COST OF REVENUES		
Cost of products	33,703	24,553
Cost of services	6,637	6,864
TOTAL COST OF REVENUES	<u>40,340</u>	<u>31,417</u>
GROSS PROFIT	<u>7,307</u>	<u>6,501</u>
OPERATING EXPENSES:		
Selling	4,274	4,439
General and administrative	1,548	1,095
Depreciation and amortization	102	33
TOTAL OPERATING EXPENSES	<u>5,924</u>	<u>5,567</u>
INCOME FROM OPERATIONS	1,383	934
EBITDA	1,716	1,026
OTHER INCOME (EXPENSE):		
Interest expense	3	(150)
TOTAL OTHER EXPENSE	<u>3</u>	<u>(150)</u>
INCOME BEFORE INCOME TAXES	1,386	784
Income tax provision	402	314
NET INCOME	<u>\$ 984</u>	<u>\$ 470</u>
NET INCOME PER SHARE:		
Basic	<u>\$ 0.43</u>	<u>\$ 0.21</u>
Diluted	<u>\$ 0.41</u>	<u>\$ 0.20</u>
WEIGHTED AVERAGE NUMBER OF SHARES:		
Basic	<u>2,304,692</u>	<u>2,255,724</u>
Diluted	<u>2,387,966</u>	<u>2,320,249</u>

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

	<u>For the Quarter Ended December 31, 2018</u>	<u>For the Quarter Ended December 31, 2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 984	\$ 470
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	102	33
Non-cash interest	107	(73)
Provision for bad debt	(249)	193
Provision for work in process losses	0	0
Stock-based compensation	230	58
Deferred income taxes	302	282
Changes in operating assets and liabilities:		
Accounts receivable	(4,248)	(11,421)
Work in process	(1,286)	45
Prepaid expenses and other current assets	(196)	(116)
Other non current assets	1,206	3,982
Accounts payable	174	2,720
Accrued expenses	(550)	139
Deferred revenue	(559)	(603)
Other long term liabilities	(109)	(137)
Total Adjustments	<u>(5,077)</u>	<u>(4,896)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATIONS</b>	<b><u>(4,092)</u></b>	<b><u>(4,426)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(97)	(17)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b><u>(97)</u></b>	<b><u>(17)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings (repayments) under line of credit, net	6,500	3,000
Payment of dividend	-	-
Buyback of stock options and shares	-	-
Deferred financing costs	-	-
Exercise of stock options	-	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b><u>6,500</u></b>	<b><u>3,000</u></b>
NET DECREASE IN OPERATING CASH	2,310	(1,442)
CASH AT BEGINNING OF PERIOD	<u>3,096</u>	<u>2,644</u>
CASH AT END OF PERIOD	<u>\$ 5,406</u>	<u>\$ 1,202</u>