

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

	<u>September 30, 2016</u>	<u>June 30, 2016</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,433	\$ 2,841
Accounts receivable, net	53,676	62,394
Work in process, net	9,611	7,376
Prepaid expenses and other current assets	747	1,655
Deferred income taxes	1,540	1,550
TOTAL CURRENT ASSETS	<u>68,007</u>	<u>75,816</u>
PROPERTY AND EQUIPMENT, net	341	387
DEFERRED FINANCING COSTS, net	160	181
DEFERRED INCOME TAXES	5,273	5,306
OTHER NON CURRENT ASSETS	7,079	9,260
TOTAL ASSETS	<u><u>\$ 80,860</u></u>	<u><u>\$ 90,950</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving line of credit	\$ 29,200	\$ 23,600
Accounts payable	24,101	37,709
Accrued expenses	2,828	4,661
Deferred revenue	1,146	1,291
TOTAL CURRENT LIABILITIES	<u>57,275</u>	<u>67,261</u>
OTHER NON CURRENT LIABILITIES	152	96
TOTAL LIABILITIES	<u>57,427</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; 2,276,890 and 2,180,052 shares issued and outstanding as of September 30, 2016 and June 30, 2016, respectively	-	-
Additional paid-in capital	173,368	173,616
Accumulated deficit	(149,935)	(150,023)
TOTAL STOCKHOLDERS' EQUITY	<u>23,433</u>	<u>23,593</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 80,860</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 September 30, 2016	For the Quarter Ended September 30, 2015
REVENUES		
Product revenues	\$ 21,313	\$ 35,231
Service revenues	8,414	8,288
TOTAL REVENUES	<u>29,727</u>	<u>43,519</u>
COST OF REVENUES		
Cost of products	17,661	29,634
Cost of services	6,790	6,835
TOTAL COST OF REVENUES	<u>24,451</u>	<u>36,469</u>
GROSS PROFIT	<u>5,277</u>	<u>7,050</u>
OPERATING EXPENSES:		
Selling	3,903	4,235
General and administrative	883	1,102
Depreciation and amortization	47	44
TOTAL OPERATING EXPENSES	<u>4,832</u>	<u>5,381</u>
INCOME FROM OPERATIONS	445	1,669
OTHER INCOME (EXPENSE):		
Interest expense	(301)	(364)
TOTAL OTHER EXPENSE	<u>(301)</u>	<u>(364)</u>
INCOME BEFORE INCOME TAXES	144	1,305
Income tax provision	58	521
NET INCOME	<u>\$ 86</u>	<u>\$ 784</u>
NET INCOME PER SHARE:		
Basic	<u>\$ 0.04</u>	<u>\$ 0.35</u>
Diluted	<u>\$ 0.04</u>	<u>\$ 0.35</u>
WEIGHTED AVERAGE NUMBER OF SHARES:		
Basic	<u>2,264,668</u>	<u>2,216,778</u>
Diluted	<u>2,420,445</u>	<u>2,264,042</u>

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 86	\$ 784
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	46	44
Non-cash interest	-	164
Provision for bad debt	(81)	-
Stock-based compensation	53	56
Deferred income taxes	43	130
Changes in operating assets and liabilities:		
Accounts receivable	8,800	2,188
Work in process	(2,234)	220
Prepaid expenses and other current assets	907	373
Other non current assets	2,202	(209)
Accounts payable	(13,609)	(4,267)
Accrued expenses	(2,120)	(83)
Deferred revenue	(145)	(48)
Other long term liabilities	3	-
Total Adjustments	(6,134)	(1,433)
NET CASH USED IN OPERATIONS	(6,049)	(649)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	(26)
NET CASH USED IN INVESTING ACTIVITIES	-	(26)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Senior Notes	-	(7,641)
Borrowings under line of credit, net	5,600	11,000
Deferred financing costs	-	(99)
Principal payments	-	(500)
Exercise of stock options	41	9
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,641	2,769
 NET INCREASE (DECREASE) IN OPERATING CASH	 (408)	 2,094
CASH AT BEGINNING OF PERIOD	2,841	2,636
CASH AT END OF PERIOD	\$ 2,433	\$ 4,730