

SUNWORKS, INC. (FORMERLY SOLAR3D, INC.)
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016 AND 2015
(in thousands, except share and per share data)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,069	\$ 12,040
Restricted cash	37	37
Accounts receivable, net	9,665	7,023
Inventory	3,394	1,269
Costs in excess of billings	4,307	2,130
Other current assets	117	220
	<u>28,589</u>	<u>22,719</u>
Total Current Assets	28,589	22,719
Property and Equipment, net	1,674	745
Other Assets		
Other deposits	53	36
Goodwill	11,364	11,364
	<u>11,417</u>	<u>11,400</u>
Total Other Assets	11,417	11,400
Total Assets	<u>\$ 41,680</u>	<u>\$ 34,864</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 12,979	\$ 5,033
Billings in excess of costs	4,997	1,990
Customer deposits	64	394
Loan payable, current portion	218	2,028
Acquisition convertible promissory notes, net of beneficial conversion feature of \$807 and \$1,767, respectively	959	750
Convertible promissory notes	-	850
	<u>19,217</u>	<u>11,045</u>
Total Current Liabilities	19,217	11,045
Long Term Liabilities		
Loan payable	496	232
Convertible promissory note	654	-
Warranty liability	116	45
	<u>1,266</u>	<u>277</u>
Total Long Term Liabilities	1,266	277
Total Liabilities	<u>20,483</u>	<u>11,322</u>
Shareholders' Equity		
Preferred stock, \$.001 par value; 5,000,000 authorized shares; Preferred Stock Series B, 1,506,024 and 1,506,024 issued and outstanding, respectively	2	2
Common stock, \$.001 par value; 1,000,000,000 authorized shares; 20,853,921 and 18,320,535 shares issued and outstanding, respectively	21	18
Additional paid in capital	70,317	63,285
Accumulated deficit	(49,143)	(39,763)
	<u>21,197</u>	<u>23,542</u>
Total Shareholders' Equity	21,197	23,542
Total Liabilities and Shareholders' Equity	<u>\$ 41,680</u>	<u>\$ 34,864</u>

The accompanying notes are an integral part of these consolidated financial statements.

SUNWORKS, INC. (FORMERLY SOLAR3D, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(in thousands, except share and per share data)

	<u>2016</u>	<u>2015</u>
Sales	\$ 86,421	\$ 53,713
Cost of Goods Sold	<u>64,311</u>	<u>36,664</u>
Gross Profit	<u>22,110</u>	<u>17,049</u>
Operating Expenses		
Selling and marketing expenses	12,330	9,344
General and administrative expenses	11,434	5,094
Stock based compensation	6,041	136
Research and development cost	-	53
Depreciation and amortization	<u>323</u>	<u>51</u>
Total Operating Expenses	<u>30,128</u>	<u>14,678</u>
Loss/Income before Other Income/(Expenses)	<u>(8,018)</u>	<u>2,371</u>
Other Income/(Expenses)		
Interest and other income	-	10
Other expense	(329)	(3)
Gain (Loss) on change in fair value of derivative liability	-	69
Interest expense	<u>(1,033)</u>	<u>(1,391)</u>
Total Other Income/(Expenses)	<u>(1,362)</u>	<u>(1,315)</u>
(Loss) Income before Income Taxes	(9,380)	1,056
Income Tax Expense	<u>-</u>	<u>-</u>
Net (Loss) Income	<u>\$ (9,380)</u>	<u>\$ 1,056</u>
(LOSS) EARNINGS PER SHARE:		
Basic	<u>\$ (0.46)</u>	<u>\$ 0.06</u>
Diluted	<u>\$ (0.46)</u>	<u>\$ 0.05</u>
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
Basic	<u>20,227,239</u>	<u>16,966,921</u>
Diluted	<u>20,227,239</u>	<u>23,709,210</u>

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SUNWORKS, INC. (FORMERLY SOLAR3D, INC.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(in thousands, except share and per share data)

	Series B Preferred stock		Common stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance at December 31, 2014	-	\$ -	14,016,253	\$ 14	\$ 42,765	\$ (40,819)	\$ 1,960
Issuance of common stock for cash	-	-	3,000,000	3	11,576	-	11,579
Issuance of common stock for conversion of promissory notes, plus accrued interest	-	-	1,175,517	1	1,299	-	1,300
Issuance of common stock for services at fair value	-	-	57,529	-	239	-	239
Issuance of common stock for commitment fee	-	-	11,583	-	3	-	3
Issuance of common stock for exercise of warrants	-	-	3,000	-	12	-	12
Issuance of common stock for cashless exercise of options	-	-	53,649	-	-	-	-
Contributed capital	-	-	-	-	39	-	39
Beneficial conversion feature on convertible promissory note	-	-	-	-	2,718	-	2,718
Rounding shares due to reverse split	-	-	3,004	-	-	-	-
Issuance of preferred stock for Plan B acquisition	1,506,024	2	-	-	4,498	-	4,500
Stock based compensation	-	-	-	-	136	-	136
Net income for the twelve months ended December 31, 2015	-	-	-	-	-	1,056	1,056
Balance at December 31, 2015	<u>1,506,024</u>	<u>\$ 2</u>	<u>18,320,535</u>	<u>\$ 18</u>	<u>\$ 63,285</u>	<u>\$ (39,763)</u>	<u>\$ 23,542</u>
Issuance of common stock for conversion of promissory notes, plus accrued interest	-	-	2,153,895	3	991	-	994
Stock based compensation	-	-	379,491	-	6,041	-	6,041
Net loss for the twelve months ended December 31, 2016	-	-	-	-	-	(9,380)	(9,380)
Balance at December 31, 2016	<u>1,506,024</u>	<u>\$ 2</u>	<u>20,853,921</u>	<u>\$ 21</u>	<u>\$ 70,317</u>	<u>\$ (49,143)</u>	<u>\$ 21,197</u>

The accompanying notes are an integral part of these consolidated financial statements.

SUNWORKS, INC. (FORMERLY SOLAR3D, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(in thousands, except share and per share data)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (9,380)	\$ 1,056
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	323	51
Stock based compensation	6,041	136
Common stock issued for services	-	239
(Gain) Loss on change in derivative liability	-	(69)
Amortization of debt discount	959	1,186
Common stock issued for commitment fees	-	3
Allowance for doubtful accounts	50	-
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(2,691)	(1,228)
Inventory	(2,125)	(690)
Other current assets	103	76
Cost in excess of billings	(2,177)	(28)
Other asset	(16)	(37)
Accounts payable and accrued liabilities	7,991	368
Billings in excess of cost	3,008	(197)
Other liabilities	(258)	387
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	1,828	1,253
NET CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash paid for acquisitions,	-	(2,814)
Purchase of property and equipment	(667)	(224)
NET CASH USED IN INVESTING ACTIVITIES	(667)	(3,038)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable net of payments	-	1,780
Loans payable repayment net of proceeds	(2,132)	-
Proceeds from conversion of warrants	-	13
Capital contribution	-	39
Proceeds from issuance of common stock, net of cost	-	11,579
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(2,132)	13,411
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(971)	11,626
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,040	414
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,069	\$ 12,040
CASH PAID FOR:		
Interest	\$ 94	\$ 103
Taxes	\$ 278	\$ 282
SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS		
Convertible promissory notes and Preferred Shares issued for acquisitions	\$ -	\$ 7,150
Loans payable issued for purchase of property and equipment	\$ 585	\$ -
Issuance of common stock upon conversion of debt at fair value	\$ 2,154	\$ 1,300
Issuance of common stock upon vesting of restricted stock grants	\$ 379	\$ -
Issuance of common stock upon conversion of principal and interest on convertible debt	\$ 994	\$ -

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