

NANOPHASE TECHNOLOGIES CORPORATION

**CONSOLIDATED BALANCE SHEETS**  
(Unaudited Consolidated Condensed)

ASSETS	September 30, 2019	December 31, 2018
<b>Current assets:</b>		
Cash and cash equivalents	\$ 962,182	\$ 1,345,492
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 on September 30, 2019 and on December 31, 2018	1,373,053	828,417
Inventories, net	2,143,974	2,242,228
Prepaid expenses and other current assets	285,011	273,235
Total current assets	4,764,220	4,689,372
Equipment and leasehold improvements, net	2,164,202	1,864,881
Operating lease right-of-use assets	2,198,066	-
Other assets, net	13,094	14,928
	\$ 9,139,582	\$ 6,569,181
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Line of credit, LB&T	\$ 500,000	\$ -
Line of credit, related party	1,102,708	832,272
Current portion of finance lease obligations	228,281	218,203
Current portion of operating lease obligations	360,691	-
Accounts payable	994,339	1,607,406
Accrued expenses	960,516	979,243
Deferred revenue	469,226	-
Total current liabilities	4,615,761	3,637,124
Long-term portion of finance lease obligations	333,990	506,006
Long-term portion of operating lease obligations	2,128,036	500,000
Long-term loan, related party	500,000	-
Long-term deferred rent	-	343,867
Long-term deferred revenue	125,000	-
Asset retirement obligations	204,212	198,184
Total long-term liabilities	3,291,238	1,548,057
<b>Stockholders' equity:</b>		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 42,000,000 shares authorized; 38,136,792 and 33,911,792 shares issued and outstanding on September 30, 2019 and December 31, 2018, respectively	381,368	339,117
Additional paid-in capital	100,623,516	98,795,105
Accumulated deficit	(99,772,301)	(97,750,222)
Total stockholders' equity	1,232,583	1,384,000
	\$ 9,139,582	\$ 6,569,181

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited Consolidated Condensed)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Revenue:</b>				
Product revenue, net	\$ 3,043,036	\$ 3,997,526	\$ 9,796,944	\$ 10,907,659
Other revenue	26,350	24,028	321,058	128,221
Net revenue	<u>3,069,386</u>	<u>4,021,554</u>	<u>10,118,002</u>	<u>11,035,880</u>
<b>Operating expense:</b>				
Cost of revenue	2,506,720	2,964,159	7,839,443	8,164,050
Gross profit	<u>562,666</u>	<u>1,057,395</u>	<u>2,278,559</u>	<u>2,871,830</u>
Research and development expense	487,798	415,724	1,449,646	1,512,453
Selling, general and administrative expense	889,659	765,567	2,710,710	2,299,339
Income/(Loss) from operations	(814,791)	(123,896)	(1,881,797)	(939,962)
Interest income	-	-	-	-
Interest expense	47,139	11,741	140,282	31,641
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	(861,930)	(135,637)	(2,022,079)	(971,603)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (861,930)</u>	<u>\$ (135,637)</u>	<u>\$ (2,022,079)</u>	<u>\$ (971,603)</u>
Net income/(loss) per share- basic and diluted	<u>\$ (0.02)</u>	<u>\$ -</u>	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>
Weighted average number of basic and diluted common shares outstanding	<u>38,136,792</u>	<u>33,879,097</u>	<u>36,077,257</u>	<u>33,858,184</u>

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE  
(Unaudited Consolidated Condensed)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<b>Revenue:</b>				
Product revenue, net	\$ 3,043,036	\$ 3,997,526	\$ 9,796,944	\$ 10,907,659
Other revenue	26,350	24,028	321,058	128,221
Net revenue	<u>3,069,386</u>	<u>4,021,554</u>	<u>10,118,002</u>	<u>11,035,880</u>
<b>Operating expense:</b>				
<i>Cost of revenue detail:</i>				
Depreciation	61,612	59,253	181,494	194,293
Non-Cash equity compensation	13,297	8,831	33,609	21,767
Other costs of revenue	2,431,811	2,896,075	7,624,340	7,947,990
Cost of revenue	<u>2,506,720</u>	<u>2,964,159</u>	<u>7,839,443</u>	<u>8,164,050</u>
Gross profit	<u>562,666</u>	<u>1,057,395</u>	<u>2,278,559</u>	<u>2,871,830</u>
<i>Research and development expense detail:</i>				
Depreciation	12,250	9,597	36,699	29,179
Non-Cash equity compensation	15,804	15,373	42,196	22,373
Other research and development expense	459,744	390,754	1,370,751	1,460,901
Research and development expense	<u>487,798</u>	<u>415,724</u>	<u>1,449,646</u>	<u>1,512,453</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	5,159	4,881	15,948	15,308
Non-Cash equity compensation	34,746	34,295	103,414	85,742
Other selling, general and administrative expense	849,754	726,391	2,591,348	2,198,289
Selling, general and administrative expense	<u>889,659</u>	<u>765,567</u>	<u>2,710,710</u>	<u>2,299,339</u>
Income/(Loss) from operations	(814,791)	(123,896)	(1,881,797)	(939,962)
Interest income	-	-	-	-
Interest expense	47,139	11,741	140,282	31,641
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	(861,930)	(135,637)	(2,022,079)	(971,603)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (861,930)</u>	<u>\$ (135,637)</u>	<u>\$ (2,022,079)</u>	<u>\$ (971,603)</u>
<b>Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):</b>				
Addback Interest, net	47,139	11,741	140,282	31,641
Addback Depreciation/Amortization	79,021	73,731	234,141	238,780
Addback Non-Cash Equity Compensation	<u>63,847</u>	<u>58,499</u>	<u>179,219</u>	<u>129,882</u>
Adjusted EBITDA	<u>\$ (671,923)</u>	<u>\$ 8,334</u>	<u>\$ (1,468,437)</u>	<u>\$ (571,300)</u>