

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS
(Unaudited Consolidated Condensed)

ASSETS	June 30, 2020	December 31, 2019
Current assets:		
Cash and cash equivalents	\$ 1,773,322	\$ 1,193,994
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 on June 30, 2020 and on December 31, 2019	2,210,108	970,472
Inventories, net	2,457,441	2,553,620
Prepaid expenses and other current assets	560,792	266,587
Total current assets	7,001,663	4,984,673
Equipment and leasehold improvements, net	2,362,119	2,255,158
Operating lease right-of-use assets	2,003,839	2,118,883
Other assets, net	11,406	12,528
	\$ 11,379,027	\$ 9,371,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, bank	\$ 500,000	\$ 500,000
Line of credit, related party	1,488,759	223,871
Current portion of long-term debt, related party	500,000	500,000
Current portion of finance lease obligations	195,728	218,345
Current portion of operating lease obligations	392,690	356,949
Accounts payable	1,319,764	1,748,021
Current portion of deferred revenue	304,595	482,349
Accrued expenses	506,925	379,314
Total current liabilities	5,208,461	4,408,849
Long-term portion of finance lease obligations	194,179	287,660
Long-term portion of operating lease obligations	1,876,201	2,034,592
Long-term convertible loan, related party	963,467	829,721
PPP SBA Loan	951,600	-
Long-term portion of deferred revenue	-	92,750
Asset retirement obligations	210,238	206,221
Total long-term liabilities	4,195,685	3,450,944
Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 55,000,000 shares authorized; 38,136,792 and 33,911,792 shares issued and outstanding on June 30, 2020 and December 31, 2019, respectively	381,368	381,368
Additional paid-in capital	101,984,959	101,886,411
Accumulated deficit	(100,391,446)	(100,756,330)
Total stockholders' equity	1,974,881	1,511,449
	\$ 11,379,027	\$ 9,371,242

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited Consolidated Condensed)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue:				
Product revenue, net	\$ 4,141,090	\$ 3,257,175	\$ 8,102,578	\$ 6,753,908
Other revenue	194,321	36,310	272,230	294,708
Net revenue	<u>4,335,411</u>	<u>3,293,485</u>	<u>8,374,808</u>	<u>7,048,616</u>
Operating expense:				
Cost of revenue	<u>2,624,174</u>	<u>2,462,062</u>	<u>5,629,020</u>	<u>5,332,723</u>
Gross profit	<u>1,711,237</u>	<u>831,423</u>	<u>2,745,788</u>	<u>1,715,893</u>
Research and development expense	358,294	485,321	730,904	961,848
Selling, general and administrative expense	<u>698,199</u>	<u>943,571</u>	<u>1,403,807</u>	<u>1,821,054</u>
Income/(Loss) from operations	654,744	(597,469)	611,077	(1,067,009)
Interest income	-	-	-	-
Interest expense	122,403	50,039	246,193	93,143
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	<u>532,341</u>	<u>(647,508)</u>	<u>364,884</u>	<u>(1,160,152)</u>
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ 532,341</u>	<u>\$ (647,508)</u>	<u>\$ 364,884</u>	<u>\$ (1,160,152)</u>
Net income/(loss) per basic shares	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ (0.03)</u>
Weighted average number of basic common shares outstanding	<u>36,136,792</u>	<u>36,136,759</u>	<u>36,136,792</u>	<u>35,030,422</u>

NANOPHASE TECHNOLOGIES CORPORATION

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue:				
Product revenue, net	\$ 4,141,090	\$ 3,257,175	\$ 8,102,578	\$ 6,753,908
Other revenue	194,321	36,310	272,230	294,708
Net revenue	<u>4,335,411</u>	<u>3,293,485</u>	<u>8,374,808</u>	<u>7,048,616</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	72,862	60,396	144,006	119,882
Non-Cash equity compensation	9,007	12,280	18,660	20,312
Other costs of revenue	2,542,305	2,389,386	5,466,354	5,192,529
Cost of revenue	<u>2,624,174</u>	<u>2,462,062</u>	<u>5,629,020</u>	<u>5,332,723</u>
Gross profit	1,711,237	831,423	2,745,788	1,715,893
<i>Research and development expense detail:</i>				
Depreciation	10,499	12,444	21,176	24,449
Non-Cash equity compensation	14,274	11,979	28,867	26,392
Other research and development expense	333,521	460,898	680,861	911,007
Research and development expense	<u>358,294</u>	<u>485,321</u>	<u>730,904</u>	<u>961,848</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	5,034	5,350	10,154	10,789
Non-Cash equity compensation	23,734	33,907	51,021	68,668
Other selling, general and administrative expense	669,431	904,314	1,342,632	1,741,597
Selling, general and administrative expense	<u>698,199</u>	<u>943,571</u>	<u>1,403,807</u>	<u>1,821,054</u>
Income/(Loss) from operations	654,744	(597,469)	611,077	(1,067,009)
Interest income	-	-	-	-
Interest expense	122,403	50,039	246,193	93,143
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	532,341	(647,508)	364,884	(1,160,152)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ 532,341</u>	<u>\$ (647,508)</u>	<u>\$ 364,884</u>	<u>\$ (1,160,152)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	122,403	50,039	246,193	93,143
Addback Depreciation/Amortization	88,395	78,190	175,336	155,120
Addback Non-Cash Equity Compensation	47,015	58,166	98,548	115,372
Adjusted EBITDA	<u>\$ 790,154</u>	<u>\$ (461,113)</u>	<u>\$ 884,961</u>	<u>\$ (796,517)</u>