

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS
(Unaudited)

ASSETS	March 31, 2010	December 31, 2009
Current assets:		
Cash and cash equivalents	\$ 3,108,898	\$ 3,899,393
Investments	3,594,106	3,594,604
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 on March 31, 2010 and December 31, 2009	1,325,301	858,706
Other receivables, net	466,182	477,989
Inventories, net	1,074,510	884,326
Prepaid expenses and other current assets	360,828	294,738
Total current assets	9,929,825	10,009,756
Equipment and leasehold improvements, net	5,272,671	5,557,832
Other assets, net	36,667	37,283
	\$ 15,239,163	\$ 15,604,871
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital lease obligations	\$ 7,174	\$ 8,470
Accounts payable	780,094	202,975
Accrued expenses	659,032	509,206
Accrued severance	-	38,060
Total current liabilities	1,446,300	758,711
Long-term portion of capital lease obligations	-	748
Long-term deferred rent	622,113	617,642
Asset retirement obligations	136,382	134,763
	758,495	753,153
Contingent liabilities:		
	-	-
Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 30,000,000 shares authorized; 21,204,162 shares issued and outstanding on March 31, 2010 and December 31, 2009, respectively	212,042	212,042
Additional paid-in capital	92,333,287	92,246,777
Accumulated deficit	(79,510,961)	(78,365,812)
Total stockholders' equity	13,034,368	14,093,007
	\$ 15,239,163	\$ 15,604,871

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended March 31,	
	2010	2009
Revenue:		
Product revenue	\$ 1,930,602	\$ 1,296,813
Other revenue	79,580	108,345
Total revenue	2,010,182	1,405,158
Operating expense:		
Cost of revenue	1,527,097	1,314,924
Gross Profit	483,085	90,234
Research and development expense	429,263	404,044
Selling, general and administrative expense	1,212,417	1,000,167
Severance charges	-	794,069
Loss from operations	(1,158,595)	(2,108,046)
Interest income	14,135	34,003
Interest expense	(689)	(20,907)
Other, net	-	(13,704)
Loss before provision for income taxes	(1,145,149)	(2,108,654)
Provision for income taxes	-	-
Net loss	\$ (1,145,149)	\$ (2,108,654)
Net loss per share-basic and diluted	\$ (0.05)	\$ (0.10)
Weighted average number of basic and diluted common shares outstanding	21,204,162	21,197,384

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended	
	March 31	
	2010	2009
Revenue:		
Product revenue, net	\$ 1,930,602	\$ 1,296,813
Other revenue	79,580	108,345
Total revenue	<u>2,010,182</u>	<u>1,405,158</u>
Operating expense:		
<i>Cost of revenue detail:</i>		
Depreciation	224,030	259,376
Non-Cash equity compensation	10,955	8,345
Other costs of revenue	1,292,112	1,047,203
Cost of revenue	<u>1,527,097</u>	<u>1,314,924</u>
Gross profit	483,085	90,234
 <i>Research and development expense detail:</i>		
Depreciation	56,698	57,043
Non-Cash equity compensation	19,280	22,274
Other research and development expense	353,285	324,727
Research and development expense	<u>429,263</u>	<u>404,044</u>
 <i>Selling, general and administrative expense detail:</i>		
Depreciation and amortization	24,734	20,342
Non-Cash equity compensation	125,350	74,767
Other selling, general and administrative expense	1,062,333	905,058
Selling, general and administrative expense	<u>1,212,417</u>	<u>1,000,167</u>
Severance charges	-	794,069
Loss from operations	<u>(1,158,595)</u>	<u>(2,108,046)</u>
Interest income	14,135	34,003
Interest expense	(689)	(20,907)
Other, net	-	(13,704)
Loss before provision for income taxes	<u>(1,145,149)</u>	<u>(2,108,654)</u>
Provision for income taxes	-	-
Net loss	<u>\$ (1,145,149)</u>	<u>\$ (2,108,654)</u>
 Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):		
Addback Interest, net	(13,446)	(13,096)
Addback Other Deferred Revenue	-	(31,818)
Addback Depreciation/Amortization	305,462	336,761