NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited Consolidated Condensed)

Current assets Cash and cash equivalents 631,769 1,345,492 Trade accounts receivable, less allowance for doubtful accounts 2,105,280 828,417 Inventories, net 2,227,954 2,242,228 Prepaid expenses and other current assets 409,059 273,235 Total current assets 409,059 273,235 Total current assets 2,055,219 1,864,881 Operating lesse hight-of-use assets 2,121,860 - Other assets, net 14,313 14,928 Other assets, net 1,447,910 \$ 832,272 Line of credit, related party \$ 1,447,910 \$ 832,272 Line of credit, teak 500,000 - Current portion of finance lesse obligations 222,750 218,203 Current portion of operating lesse obligations 330,559 - Accounts payable 1,083,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lesse obligations 24,853 5,000,000 Long-term portion of perating lesse obligations 2,117,148 <th>ASSETS</th> <th colspan="2">March 31, 2019</th> <th colspan="2">December 31, 2018</th>	ASSETS	March 31, 2019		December 31, 2018		
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 on March 31, 2019 and on December 31, 2018 2,105,280 828,417 Inventiories, net 2,227,954 2,242,228 Prepaid expenses and other current assets 409,059 273,235 Total current assets 5,374,062 4,689,372 Equipment and lessehold improvements, net 2,121,860 -1,218,60 Operating lesse right-of-use assets 14,313 14,928 Other assets, net 14,313 14,928 Line of credit, telated party \$ 1,447,910 \$ 832,272 Line of credit, telated party \$ 1,447,910 \$ 832,272 Line of credit, permotion of finance lesse obligations 222,750 218,203 Current portion of operating lesse obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accounts payable 1,088,768 979,243 Total current liabilities 2,117,148 500,006 Long-term portion of finance lesse obligations 448,553 506,006 Long-term portion of operating lesse obligations 24,117,148 500,000 Long-ter						
of \$9,000 on March 31, 2019 and on December 31, 2018 2,105,280 828,417 Inventories, net 2,277,954 2,242,228 Prepaid expenses and other current assets 4,090,599 273,235 Total current assets 5,374,062 4,689,372 Equipment and lessehold improvements, net 2,055,219 1,864,881 Operating lesser right-of-use assets 2,121,860 - Other assets, net 14,313 14,928 Equipment and lessehold improvements, net 2,055,219 1,864,881 Operating lesser right-of-use assets 2,121,860 - Other assets, net 1,441,313 1,4928 Equipment and lessehold improvements, net 2,055,219 1,864,881 Current portin of right pessed second transparents of control of transparents of the control of transparents of control of transparents of control of finance lesse obligations 2,147,41910 8,322,72 Current portion of finance lesse obligations 3,305,59 3,637,124 Long-term portion of finance lesse obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term loan, related party	•	\$	631,769	\$	1,345,492	
Prepaid expenses and other current assets 4,207,504 2,247,228 Prepaid expenses and other current assets 4,009,509 273,2375 7 total current assets 5,374,062 4,689,372 4,689,372 1,864,881 2,095,219 1,864,881 2,121,860 2,121,860 1,4313 1,928 3,9565,454 5,569,181 1,828 3,9565,454 5,569,181 1,828 3,9565,454 5,569,181 1,828 1,447,910 8,322,72 1,160 6,769,181 1,281						
Prepaid expenses and other current assets 409,059 273,235 Total current assets 5,374,062 4,689,372 Equipment and leasehold improvements, net 2,055,219 1,864,881 Operating lease right-of-use assets 2,121,860 -1,218 Other assets, net 14,313 1,928 In a seed of credit, related party 5,956,454 6,569,181 Line of credit, related party \$1,447,910 \$32,272 Line of credit, bank 500,000 - Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accoured expenses 1,888,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of prinance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 5,000,000 -<						
Equipment and leasehold improvements, net	,				, ,	
Equipment and leasehold improvements, net Operating lease right-of-use assets 2,055,219 1,864,881 Other assets, not 14,313 14,928 *** Institution of credit, related party *** Institution of credit, related party \$ 1,447,910 \$ 832,272 Line of credit, bank 500,000 - Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accounted expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 248,553 500,000 Long-term portion of operating lease obligations 248,553 500,000 Long-term portion of operating lease obligations 248,553 500,000 Long-term loan, related party 500,000 - Long-term deferred rent - - 343,867 Asset retirement obligations 200,194 198,184						
Operating lesse right-of-use assets (Dither assets, net) 2,121,860 (14,313) 14,928 (15,656,181) LIABILITIES AND STOCK HOLDERS EQUITY Current liabilities Line of credit, related party \$ 1,447,910 \$ 832,272 Line of credit, bank 500,000 - Current portion of finance lesse obligations 222,750 218,203 Current portion of operating lesse obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accounts payable 1,781,009 1,607,406 Accounts payable 1,888,768 979,243 Total current liabilities 5370,996 3,637,124 Long-term portion of finance lesse obligations 448,553 506,000 Long-term portion of operating lesse obligations 2,117,148 500,000 Long-term portion of operating lesse obligations 20,117,148 500,000 Long-term loan, related party 500,000 343,867 Asset retirement obligations 20,119,418 1,548,057 Stockholders' equity: Preferred stock, \$.01 par value, 24,088 shares authorized and n	Total current assets		5,374,062		4,689,372	
Other assets, net 14,313 14,928 \$ 9,565,454 \$ 6,569,181 LIABILITIES AND STOCK HOLDERS' EQUITY Current liabilities Line of credit, teated party \$ 1,447,910 \$ 832,272 Line of credit, bank 500,000 - Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 1,607,406 Accounts payable 1,781,009 1,607,406 Accord expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term portion of operating lease obligations 3,267,802 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: <th colspa<="" td=""><td>Equipment and leasehold improvements, net</td><td></td><td>2,055,219</td><td></td><td>1,864,881</td></th>	<td>Equipment and leasehold improvements, net</td> <td></td> <td>2,055,219</td> <td></td> <td>1,864,881</td>	Equipment and leasehold improvements, net		2,055,219		1,864,881
LIABILITIES AND STOCK HOLDERS EQUITY Current liabilities Line of credit, related party \$ 1,447,910 \$ 832,272 Line of credit, bank 500,000 - Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accrued expenses 1,108,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term deferred rent - - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholder's equity: Preferred stock, \$.01 par value, 24,088 shares authorized and shares issued and outstanding - - - - - -	Operating lease right-of-use assets		2,121,860		-	
LIABILITIESAND STOCKHOLDERS' EQUITY Current liabilities Line of credit, related party \$ 1,447,910 \$ 832,272 Line of credit, bank 500,000 - Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accrued expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term loan, related party 500,000 - Long-term deferred rent - 33,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholder's equity: Préferred stock, \$.01 par value, 24,088 shares authorized; 33,911,792 and - - - <td< td=""><td>Other assets, net</td><td></td><td>14,313</td><td></td><td>14,928</td></td<>	Other assets, net		14,313		14,928	
Current liabilities Line of credit, related party \$ 1,447,910 \$ 832,272 Line of credit, bank 500,000 - Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accrued expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term locan, related party 500,000 - Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholder's equity: Preferred stock, \$.01 par value, 24,088 shares authorized; 33,911,792 and shares issued and outstanding - - - Common stock, \$.01 par value, 42,000,000 shares authorized; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, res		\$	9,565,454	\$	6,569,181	
Line of credit, related party \$ 1,447,910 \$ 832,272 Line of credit, bank 500,000 - Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accrued expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholder's equity: 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; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105	LIABILITIES AND STOCKHOLDERS' EQUITY					
Line of credit, bank 500,000 - Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accrued expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term loan, related party 500,000 - Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholder's equity: 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; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 <t< td=""><td>Current liabilities:</td><td></td><td></td><td></td><td></td></t<>	Current liabilities:					
Current portion of finance lease obligations 222,750 218,203 Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accrued expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 500,000 - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding - <	Line of credit, related party	\$	1,447,910	\$	832,272	
Current portion of operating lease obligations 330,559 - Accounts payable 1,781,009 1,607,406 Accrued expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding -	Line of credit, bank		500,000		-	
Accounts payable 1,781,009 1,607,406 Accrued expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding shares issued and outstanding shares authorized; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 98,852,312 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 31,384,000			222,750		218,203	
Accrued expenses 1,088,768 979,243 Total current liabilities 5,370,996 3,637,124 Long-term portion of finance lesse obligations 448,553 506,006 Long-term portion of operating lesse obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: 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; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000	Current portion of operating lease obligations				-	
Total current liabilities 5,370,996 3,637,124	Accounts payable		1,781,009		1,607,406	
Long-term portion of finance lease obligations 448,553 506,006 Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholder's equity: Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	Accrued expenses				979,243	
Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: 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; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000	Total current liabilities		5,370,996		3,637,124	
Long-term portion of operating lease obligations 2,117,148 500,000 Long-term loan, related party 500,000 - Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding -	Long-term portion of finance lease obligations		448,553		506,006	
Long-term loan, related party 500,000 - Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: 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; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000						
Long-term deferred rent - 343,867 Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholder's equity: 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; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000			500.000		· -	
Asset retirement obligations 200,194 198,184 Total long-term liabilities 3,265,895 1,548,057 Stockholders' equity: 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; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000			· -		343,867	
Stockholders' equity: Stockholders' equity: 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; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000			200,194		198,184	
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding			3,265,895		1,548,057	
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	Stockholders' equity:					
no shares issued and outstanding - - Common stock, \$.01 par value, 42,000,000 shares authorized; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000	• •					
Common stock, \$.01 par value, 42,000,000 shares authorized; 33,911,792 and shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000			-		-	
shares issued and outstanding on March 31, 2019 and December 31, 2018, respectively 339,117 339,117 Additional paid-in capital 98,852,312 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000	<u> </u>					
Additional paid-in capital 98,795,105 Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000			339,117		339,117	
Accumulated deficit (98,262,866) (97,750,222) Total stockholders' equity 928,563 1,384,000					98,795,105	
Total stockholders' equity 928,563 1,384,000			(98,262,866)		(97,750,222)	
	Total stockholders' equity	_		-		
	A. V	\$	9,565,454	\$	6,569,181	

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited Consolidated Condensed)

	Three months ended March 31,			
	 2019		2018	
Revenue:				
Product revenue	\$ 3,496,733	\$	2,866,931	
Other revenue	258,398		30,834	
Total revenue	 3,755,131		2,897,765	
Operating expense:				
Cost of revenue	 2,870,661		2,488,150	
Gross profit	 884,470		409,615	
Research and development expense	476,527		558,252	
Selling, general and administrative expense	877,483		764,251	
Income/(loss) from operations	 (469,540)		(912,888)	
Interest income	-		-	
Interest expense	(43,104)		(10,695)	
Other, net	 			
Income/(loss) before provision for income taxes	(512,644)		(923,583)	
Provision for income taxes	-		-	
Net income/(loss)	\$ (512,644)	\$	(923,583)	
Net income/(loss) per share-basic and diluted	\$ (0.02)	\$	(0.03)	
Weighted average number of basic and diluted				
common shares outstanding	 33,911,792		33,847,793	

NANOPHASE TECHNOLOGIES CORPORATION

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

Three months ended March 31,

	2019		2018	
Revenue:				
Product revenue, net	\$	3,496,733	\$ 2,866,931	
Other revenue		258,398	30,834	
Total revenue		3,755,131	2,897,765	
Operating expense:				
Cost of revenue detail:				
Depreciation		59,486	69,940	
Non-Cash equity compensation		8,032	6,537	
Other costs of revenue		2,803,143	2,411,673	
Cost of revenue		2,870,661	2,488,150	
Gross profit		884,470	409,615	
Research and development expense detail:				
Depreciation		12,005	9,926	
Non-Cash equity compensation		14,413	11,574	
Other research and development expense		450,109	536,752	
Research and development expense		476,527	558,252	
Selling, general and administrative expense detail:				
Depreciation and amortization		5,439	5,228	
Non-Cash equity compensation		34,761	24,973	
Other selling, general and administrative expense		837,283	734,050	
Selling, general and administrative expense		877,483	764,251	
Income/(loss) from operations		(469,540)	 (912,888)	
Interest income		(100,010)	(0.2,000)	
Interest expense		(43,104)	(10,695)	
Other, net		-	-	
Income/(loss) before provision for income taxes		(512,644)	(923,583)	
Provision for income taxes			 	
Net income/(loss)	\$	(512,644)	\$ (923,583)	
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures)):			
Addback Interest, net	•	43,104	10,695	
Addback Depreciation/Amortization		76,930	85,094	
Addback Non-Cash Equity Compensation		57,206	 43,084	
Adjusted EBITDA	\$	(335,404)	\$ (784,710)	