

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	September 30, 2015 (Unaudited)	December 31, 2014
Current assets:		
Cash and cash equivalents	\$ 1,248,985	\$ 1,861,524
Trade accounts receivable, less allowance for doubtful accounts of \$6,000 on September 30, 2015 and December 31, 2014	1,477,901	387,760
Other receivable	4,049	65
Inventories, net	643,424	950,106
Prepaid expenses and other current assets	247,288	367,860
Total current assets	3,621,647	3,567,315
 Equipment and leasehold improvements, net	 1,915,766	 2,137,549
Other assets, net	23,005	24,864
	\$ 5,560,418	\$ 5,729,728
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of Credit	\$ 200,000	\$ -
Current portion of capital lease obligations	81,774	69,733
Accounts payable	814,740	492,718
Accrued expenses	477,579	412,824
Total current liabilities	1,574,093	975,275
 Long-term portion of capital lease obligations	 112,845	 120,787
Long-term deferred rent	544,429	621,475
Asset retirement obligation	170,703	166,099
Total long-term liabilities	827,977	908,361
 Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 35,000,000 shares authorized; 28,585,496 and 28,516,163 shares issued and outstanding on September 30, 2015 and December 31, 2014, respectively	285,855	285,162
Additional paid-in capital	96,131,405	95,965,739
Accumulated deficit	(93,258,912)	(92,404,809)
Total stockholders' equity	3,158,348	3,846,092
	\$ 5,560,418	\$ 5,729,728

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue:				
Product revenue, net	\$ 2,778,756	\$ 2,647,111	\$ 7,999,940	\$ 8,070,472
Other revenue	6,875	6,755	33,490	45,690
Net revenue	2,785,631	2,653,866	8,033,430	8,116,162
Operating expense:				
Cost of revenue	1,902,815	1,857,957	5,592,892	5,580,801
Gross profit	882,816	795,909	2,440,538	2,535,361
Research and development expense	324,538	315,875	969,428	989,458
Selling, general and administrative expense	709,473	828,390	2,315,839	2,391,333
Loss from operations	(151,195)	(348,356)	(844,729)	(845,430)
Interest income	-	114	-	810
Interest expense	(3,646)	(1,309)	(9,374)	(4,346)
Other, net	-	-	-	-
Loss before provision for income taxes	(154,841)	(349,551)	(854,103)	(848,966)
Provision for income taxes	-	-	-	-
Net loss	\$ (154,841)	\$ (349,551)	\$ (854,103)	\$ (848,966)
 Net loss per share- basic and diluted	 \$ (0.01)	 \$ (0.01)	 \$ (0.03)	 \$ (0.03)
 Weighted average number of basic and diluted common shares outstanding	 28,585,496	 28,481,496	 28,571,332	 28,481,496

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue:				
Product revenue, net	\$ 2,778,756	\$ 2,647,111	\$ 7,999,940	\$ 8,070,472
Other revenue	6,875	6,755	33,490	45,690
Net revenue	2,785,631	2,653,866	8,033,430	8,116,162
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	146,351	150,352	433,697	450,219
Non-Cash equity compensation	5,597	5,508	17,264	19,402
Other costs of revenue	1,750,867	1,702,097	5,141,931	5,111,180
Cost of revenue	1,902,815	1,857,957	5,592,892	5,580,801
Gross profit	882,816	795,909	2,440,538	2,535,361
<i>Research and development expense detail:</i>				
Depreciation	26,838	23,642	85,568	76,082
Non-Cash equity compensation	8,757	11,453	26,101	42,512
Other research and development expense	288,943	280,780	857,759	870,864
Research and development expense	324,538	315,875	969,428	989,458
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	10,090	10,090	30,359	29,253
Non-Cash equity compensation	30,852	26,219	95,926	87,251
Other selling, general and administrative expense	668,531	792,081	2,189,554	2,274,829
Selling, general and administrative expense	709,473	828,390	2,315,839	2,391,333
Loss from operations	(151,195)	(348,356)	(844,729)	(845,430)
Interest income	-	114	-	810
Interest expense	(3,646)	(1,309)	(9,374)	(4,346)
Other, net	-	-	-	-
Loss before provision for income taxes	(154,841)	(349,551)	(854,103)	(848,966)
Provision for income taxes	-	-	-	-
Net loss	\$ (154,841)	\$ (349,551)	\$ (854,103)	\$ (848,966)
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	3,646	1,195	9,374	3,536
Addback Depreciation/Amortization	183,279	184,084	549,624	555,554
Addback Non-Cash Equity Compensation	45,206	43,180	139,291	149,165
Adjusted EBITDA	\$ 77,290	\$ (121,092)	\$ (155,814)	\$ (140,711)