NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	March 31, 2015 (Unaudited)	December 31, 2014
Current assets:		
Cash and cash equivalents	\$ 1,206,566	\$ 1,861,524
Trade accounts receivable, less allowance for doubtful accounts		
of \$6,000 on March 31, 2015 and on December 31, 2014	1,259,254	387,760
Other receivables, net	49	65
Inventories, net	825,738	950,106
Prepaid expenses and other current assets	353,013	367,860
Total current assets	3,644,620	3,567,315
Equipment and leasehold improvements, net	1,992,989	2,137,549
Other assets, net	24,249	24,864
	\$ 5,661,858	\$ 5,729,728
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital lease obligations	\$ 62,430	\$ 69,733
Accounts payable	1,009,364	492,718
Accrued expenses	408,078	412,824
Total current liabilities	1,479,872	975,275
Long-term portion of capital lease obligations	105,612	120,787
Long-term deferred rent	595,793	621,475
Asset retirement obligations	167,634	166,099
	869,039	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 March 31, 2015 and December 31, 2014, respectively	285,855	285,162
Additional paid-in capital	96,037,776	95,965,739
Accumulated deficit	(93,010,684)	(92,404,809)
Total stockholders' equity	3,312,947	3,846,092
rotar stockholiders equity	\$ 5,661,858	\$ 5,729,728
	φ 5,001,050	φ 3,729,720

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended March 31,			
		2015		2014
Revenue:				
Product revenue	\$	2,299,798	\$	2,575,761
Other revenue		10,387		9,201
Total revenue		2,310,185		2,584,962
Operating expense:				
Cost of revenue		1,744,551		1,877,273
Gross profit		565,634		707,689
Research and development expense		301,910		337,387
Selling, general and administrative expense		867,075		798,000
Loss from operations		(603,351)		(427,698)
Interest income		-		370
Interest expense		(2,524)		(1,603)
Other, net		-		-
Loss before provision for income taxes		(605,875)		(428,931)
Provision for income taxes		-		-
Net loss	\$	(605,875)	\$	(428,931)
Net loss per share-basic and diluted	\$	(0.02)	\$	(0.02)
Weighted average number of basic and diluted common shares outstanding		28,542,533		28,481,496

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended March 31			
		2015		2014
Revenue:				
Product revenue, net	\$	2,299,798	\$	2,575,761
Other revenue		10,387		9,201
Total revenue		2,310,185		2,584,962
Operating expense:				
Cost of revenue detail:				
Depreciation		144,322		149,083
Non-Cash equity compensation		5,635		7,112
Other costs of revenue		1,594,594		1,721,078
Cost of revenue		1,744,551		1,877,273
Gross profit		565,634		707,689
Research and development expense detail:				
Depreciation		29,965		27,635
Non-Cash equity compensation		8,345		16,142
Other research and development expense		263,600		293,610
Research and development expense		301,910		337,387
Selling, general and administrative expense detail:				
Depreciation and amortization		10,182		9,467
Non-Cash equity compensation		32,705		33,422
Other selling, general and administrative expense		824,188		755,111
Selling, general and administrative expense		867,075		798,000
Loss from operations		(603,351)		(427,698)
Interest income		-		370
Interest expense		(2,524)		(1,603)
Other, net		-		-
Loss before provision for income taxes		(605,875)		(428,931)
Provision for income taxes		-		-
Net loss	\$	(605,875)	\$	(428,931)
Non-GAAP Disclosure (see note regarding Non-GAAP disclosure	s).			
Addback Interest, net	57.	2,524		1,233
Addback Interest, net Addback Depreciation/Amortization		184,469		186,185
Addback Non-Cash Equity Compensation		46,685		56,676
recouck from Cash Equity Compensation		+0,005		50,070
Adjusted EBITDA	\$	(372,197)	\$	(184,837)