

**NANOPHASE TECHNOLOGIES CORPORATION**

**CONSOLIDATED BALANCE SHEETS**  
(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

ASSETS	September 30, 2023 (Unaudited)	December 31, 2022
<b>Current assets:</b>		
Cash	\$ 1,188	\$ 2,186
Trade accounts receivable, less allowance for doubtful accounts of \$270 for September 30, 2022 and \$139 for December 31, 2021	3,199	4,734
Inventories, net	10,123	8,839
Prepaid expenses and other current assets	1,040	866
Total current assets	15,550	16,625
Equipment and leasehold improvements, net	8,607	7,949
Operating leases, right of use	8,187	8,978
Other assets, net	3	6
Total assets	\$ 32,347	\$ 33,558
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Line of credit, related party	6,338	7,282
Accounts payable	6,270	6,363
Current portion of operating lease obligations	1,303	-
Current portion of deferred revenue	2,619	2,167
Accrued expenses	1,130	1,023
Total current liabilities	17,660	16,835
Long-term portion of operating lease obligations	9,475	9,823
Long-term debt, related party	1,000	1,000
Long-term portion of deferred revenue	45	21
Asset retirement obligation	236	230
Total long-term liabilities	10,756	11,074
<b>Stockholders' equity:</b>		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 60,000,000 shares authorized; 49,627,254 and 49,320,680 shares issued and outstanding on September 30, 2023 and December 31, 2022, respectively	496	493
Additional paid-in capital	105,970	105,226
Accumulated deficit	(102,535)	(100,070)
Total stockholders' equity	3,931	5,649
Total liabilities and shareholders' equity	\$ 32,347	\$ 33,558

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Revenue:</b>				
Product revenue	\$ 7,746	\$ 9,673	\$ 28,925	\$ 28,515
Other revenue	212	5	361	541
Net revenue	<u>7,958</u>	<u>9,678</u>	<u>29,286</u>	<u>29,056</u>
<b>Operating expense:</b>				
Cost of revenue	6,428	7,185	21,932	21,659
Gross profit	<u>1,530</u>	<u>2,493</u>	<u>7,354</u>	<u>7,397</u>
Research and development expense	1,057	848	3,052	2,310
Selling, general and administrative expense	1,695	2,279	5,951	5,493
Income from operations	<u>(1,222)</u>	<u>(634)</u>	<u>(1,649)</u>	<u>(406)</u>
Interest income	-	-	-	-
Interest expense	214	116	613	232
Other income, net	-	-	-	-
Income before provision for income taxes	<u>(1,436)</u>	<u>(750)</u>	<u>(2,262)</u>	<u>(638)</u>
Provision for income taxes	-	-	-	-
Net income	<u>\$ (1,436)</u>	<u>\$ (750)</u>	<u>\$ (2,262)</u>	<u>\$ (638)</u>
Net income per share-basic	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding - basic	<u>49,598,591</u>	<u>49,174,673</u>	<u>49,532,395</u>	<u>49,068,709</u>
Net income per share-diluted	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding - diluted	<u>49,598,581</u>	<u>49,174,673</u>	<u>49,532,395</u>	<u>49,068,709</u>

NANOPHASE TECHNOLOGIES CORPORATION

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

(in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2022	2022
<b>Revenue:</b>				
Product revenue	\$ 7,746	\$ 9,673	\$ 28,925	\$ 28,515
Other revenue	212	5	361	541
Net revenue	<u>7,958</u>	<u>9,678</u>	<u>29,286</u>	<u>29,056</u>
<b>Operating expense:</b>				
<i>Cost of revenue detail:</i>				
Depreciation	159	126	481	365
Non-Cash equity compensation	27	22	85	71
Other costs of revenue	6,242	7,037	21,366	21,223
Cost of revenue	<u>6,428</u>	<u>7,185</u>	<u>21,932</u>	<u>21,659</u>
Gross profit	1,530	2,493	7,354	7,397
<i>Research and development expense detail:</i>				
Depreciation	7	9	21	26
Non-Cash equity compensation	47	38	136	121
Other research and development expense	1,003	801	2,895	2,163
Research and development expense	<u>1,057</u>	<u>848</u>	<u>3,052</u>	<u>2,310</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	8	8	22	22
Non-Cash equity compensation	136	90	374	261
Other selling, general and administrative expense	1,551	2,181	5,555	5,210
Selling, general and administrative expense	<u>1,695</u>	<u>2,279</u>	<u>5,951</u>	<u>5,493</u>
Income from operations	(1,222)	(634)	(1,649)	(406)
Interest expense	214	116	613	232
Other income, net	-	-	-	-
Income before provision for income taxes	(1,436)	(750)	(2,262)	(638)
Provision for income taxes	-	-	-	-
Net income	<u>\$ (1,436)</u>	<u>\$ (750)</u>	<u>\$ (2,262)</u>	<u>\$ (638)</u>
<b>Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):</b>				
Addback Interest, net	214	116	613	232
Addback Depreciation/Amortization	174	143	524	413
Addback Non-Cash Equity Compensation	210	150	595	453
Subtract Non-Cash Other Income	-	-	-	-
Adjusted EBITDA	<u>\$ (838)</u>	<u>\$ (341)</u>	<u>\$ (530)</u>	<u>\$ 460</u>