

**NANOPHASE TECHNOLOGIES CORPORATION**

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

	As of	
	March 31, 2024	December 31, 2023
	(in thousands except share and per share data)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 2,018	\$ 1,722
Trade accounts receivable, less allowance for doubtful accounts of \$247 for March 31, 2024 and \$225 for December 31, 2023	5,227	3,467
Inventories, net	13,281	10,031
Prepaid expenses and other current assets	1,550	1,082
Total current assets	22,076	16,302
Equipment and leasehold improvements, net	8,806	8,668
Operating leases, right of use	7,619	7,907
Other assets, net	3	4
Total assets	\$ 38,504	\$ 32,881
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Line of credit, related party	\$ 850	\$ 2,810
Current portion of debt, related parties	-	2,000
Current portion of operating lease obligations	1,171	1,297
Accounts payable	6,216	6,260
Current portion of deferred revenue	2,592	2,353
Accrued expenses	1,348	869
Total current liabilities	12,177	15,589
Long-term portion of finance lease obligations	-	-
Long-term portion of operating lease obligations	8,936	9,152
Long-term line of credit – inventory, related party	5,200	5,000
Long-term debt, related party	1,000	1,000
Long-term portion of deferred revenue	-	-
Asset retirement obligations	240	238
Total long-term liabilities	15,376	15,390
<b>Contingent liabilities</b>		
<b>Mezzanine Equity</b>		
Preferred Stock, Series X, \$.01 par value, 15,000 shares issued on March 31, 2024	6,000	-
<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 and 60,000,000 shares authorized; 54,851,834 and 49,627,254 shares issued and outstanding on March 31, 2024 and December 31, 2023, respectively	548	496
Additional paid-in capital	108,173	106,069
Accumulated deficit	(103,770)	(104,663)
Total stockholders' equity	4,951	1,902
<b>Total liabilities, mezzanine equity and shareholders' equity</b>	<b>\$ 38,504</b>	<b>\$ 32,881</b>

**NANOPHASE TECHNOLOGIES CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited Consolidated Condensed - Preliminary)

	Three months ended	
	March	
	2024	2023
	(in thousands except share and per share data)	
<b>Revenue:</b>		
Product revenue	\$ 9,772	\$ 9,336
Other revenue	96	121
Net revenue	9,868	9,457
<b>Operating expense:</b>		
Cost of revenue	6,287	7,308
Gross profit	3,581	2,149
Research and development expense	912	1,003
Selling, general and administrative expense	1,558	2,150
Income/(loss) from operations	1,111	(1,004)
Interest expense	218	155
Other income, net	-	-
Income/(loss) before provision for income taxes	893	(1,159)
Provision for income taxes	-	-
Net income/(loss)	\$ 893	\$ (1,159)
Net income per share-basic	\$ 0.02	\$ (0.02)
Weighted average number of basic shares outstanding	53,257,986	49,429,407
Net income per share-diluted	\$ 0.01	\$ (0.02)
Weighted average number of diluted shares outstanding	68,507,986	49,429,407

**NANOPHASE TECHNOLOGIES CORPORATION**

***CONSOLIDATED STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE***

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<u><b>2024</b></u>	<u><b>2023</b></u>
	<b>(in thousands except share and per share data)</b>	
<b>Revenue:</b>		
Product revenue, net	\$ 9,772	\$ 9,336
Other revenue	96	121
Net revenue	<u>9,868</u>	<u>9,457</u>
<b>Operating expense:</b>		
<i>Cost of revenue detail:</i>		
Depreciation	221	159
Non-Cash equity compensation	26	27
Other costs of revenue	<u>6,040</u>	<u>7,122</u>
Cost of revenue	<u>6,287</u>	<u>7,308</u>
Gross profit	3,581	2,149
<i>Research and development expense detail:</i>		
Depreciation	6	7
Non-Cash equity compensation	33	47
Other research and development expense	<u>873</u>	<u>949</u>
Research and development expense	912	1,003
<i>Selling, general and administrative expense detail:</i>		
Depreciation and amortization	7	7
Non-Cash equity compensation	101	136
Other selling, general and administrative expense	<u>1,450</u>	<u>2,007</u>
Selling, general and administrative expense	<u>1,558</u>	<u>2,150</u>
Income/(loss) from operations	1,111	(1,004)
Interest expense	218	155
Other income, net	<u>-</u>	<u>-</u>
Income/(loss) before provision for income taxes	893	(1,159)
Provision for income taxes	<u>-</u>	<u>-</u>
Net income/(loss)	<u><u>\$ 893</u></u>	<u><u>\$ (1,159)</u></u>
<b>Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):</b>		
Addback Interest, net	218	155
Addback Depreciation/Amortization	234	173
Addback Non-Cash Equity Compensation	160	210
Addback Other Income, net	-	-
Addback Provision for Income Taxes	-	-
Adjusted EBITDA	<u><u>\$ 1,505</u></u>	<u><u>\$ (621)</u></u>