

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	December 31, 2017 (Unaudited)	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 1,955,073	\$ 1,779,027
Trade accounts receivable, less allowance for doubtful accounts of \$5,000 on December 31, 2017 and December 31, 2016	1,114,607	434,226
Other receivable	95	96
Inventories, net	1,138,870	771,975
Prepaid expenses and other current assets	415,192	441,634
Total current assets	4,623,837	3,426,958
Equipment and leasehold improvements, net	1,624,359	1,395,441
Other assets, net	17,410	19,893
	\$ 6,265,606	\$ 4,842,292
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	300,000	-
Current portion of capital lease obligations	142,912	107,021
Accounts payable	1,037,784	669,025
Accrued expenses	542,810	521,302
Total current liabilities	2,023,506	1,297,348
Long-term portion of capital lease obligations	415,887	109,448
Long-term deferred rent	409,790	465,850
Asset retirement obligation	184,518	178,378
Total long-term liabilities	1,010,195	753,676
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 and 42,000,000 shares authorized; 33,847,793 and 31,229,996 shares issued and outstanding on December 31, 2017 and December 31, 2016, respectively	338,478	312,300
Additional paid-in capital	98,562,750	97,359,324
Accumulated deficit	(95,669,323)	(94,880,356)
Total stockholders' equity	3,231,905	2,791,268
	\$ 6,265,606	\$ 4,842,292

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Revenue:				
Product revenue, net	\$ 2,604,088	\$ 2,343,061	\$ 12,128,936	\$ 10,719,808
Other revenue	14,715	24,283	342,019	62,739
Net revenue	<u>2,618,803</u>	<u>2,367,344</u>	<u>12,470,955</u>	<u>10,782,547</u>
Operating expense:				
Cost of revenue	<u>1,757,983</u>	<u>1,776,592</u>	<u>8,620,453</u>	<u>7,542,876</u>
Gross profit	860,820	590,752	3,850,502	3,239,671
Research and development expense	381,856	494,181	1,735,687	1,553,688
Selling, general and administrative expense	<u>683,256</u>	<u>803,057</u>	<u>2,886,282</u>	<u>2,954,232</u>
Income/(Loss) from operations	(204,292)	(706,486)	(771,467)	(1,268,249)
Interest income	-	-	-	-
Interest expense	(9,444)	(3,540)	(34,355)	(14,849)
Other, net	<u>(1,021)</u>	<u>-</u>	<u>16,855</u>	<u>-</u>
Income/(Loss) before provision for income taxes	(214,757)	(710,026)	(788,967)	(1,283,098)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (214,757)</u>	<u>\$ (710,026)</u>	<u>\$ (788,967)</u>	<u>\$ (1,283,098)</u>
Net income/(loss) per share- basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
Weighted average number of basic and diluted common shares outstanding	<u>33,515,211</u>	<u>31,229,996</u>	<u>31,335,956</u>	<u>30,911,869</u>

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Revenue:				
Product revenue, net	\$ 2,604,088	\$ 2,343,061	\$ 12,128,936	\$ 10,719,808
Other revenue	14,715	24,283	342,019	62,739
Net revenue	<u>2,618,803</u>	<u>2,367,344</u>	<u>12,470,955</u>	<u>10,782,547</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	67,881	80,503	279,286	471,660
Non-Cash equity compensation	6,194	5,298	24,279	22,398
Other costs of revenue	1,683,908	1,690,791	8,316,888	7,048,818
Cost of revenue	<u>1,757,983</u>	<u>1,776,592</u>	<u>8,620,453</u>	<u>7,542,876</u>
Gross profit	860,820	590,752	3,850,502	3,239,671
<i>Research and development expense detail:</i>				
Depreciation	8,767	22,018	46,748	104,852
Non-Cash equity compensation	11,077	9,090	47,343	36,354
Other research and development expense	362,012	463,073	1,641,596	1,412,482
Research and development expense	<u>381,856</u>	<u>494,181</u>	<u>1,735,687</u>	<u>1,553,688</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	5,126	60,121	18,114	88,532
Non-Cash equity compensation	25,842	64,141	111,041	148,317
Other selling, general and administrative expense	652,288	678,795	2,757,127	2,717,383
Selling, general and administrative expense	<u>683,256</u>	<u>803,057</u>	<u>2,886,282</u>	<u>2,954,232</u>
Income/(Loss) from operations	(204,292)	(706,486)	(771,467)	(1,268,249)
Interest income	-	-	-	-
Interest expense	(9,444)	(3,540)	(34,355)	(14,849)
Other, net	(1,021)	-	16,855	-
Income/(Loss) before provision for income taxes	(214,757)	(710,026)	(788,967)	(1,283,098)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (214,757)</u>	<u>\$ (710,026)</u>	<u>\$ (788,967)</u>	<u>\$ (1,283,098)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	9,444	3,540	34,355	14,849
Addback Depreciation/Amortization	81,774	162,642	344,148	665,044
Addback Non-Cash Equity Compensation	43,113	78,529	182,663	207,069
Addback Other, net	1,021	-	(16,855)	-
Adjusted EBITDA	<u>\$ (79,405)</u>	<u>\$ (465,315)</u>	<u>\$ (244,656)</u>	<u>\$ (396,136)</u>