

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	March 31, 2018 (Unaudited)	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 1,190,210	\$ 1,955,073
Trade accounts receivable, less allowance for doubtful accounts of \$5,000 on March 31, 2018 and on December 31, 2017	1,377,588	1,114,607
Other receivables, net	26	95
Inventories, net	1,220,133	1,138,870
Prepaid expenses and other current assets	229,509	415,192
Total current assets	4,017,466	4,623,837
 Equipment and leasehold improvements, net	 1,576,741	 1,624,359
Other assets, net	16,796	17,410
	\$ 5,611,003	\$ 6,265,606
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 200,000	\$ 300,000
Current portion of capital lease obligations	139,833	142,912
Accounts payable	1,210,065	1,037,784
Accrued expenses	752,600	542,810
Total current liabilities	2,302,498	2,023,506
 Long-term portion of capital lease obligations	 377,398	 415,887
Long-term deferred rent	393,647	409,790
Asset retirement obligations	186,053	184,518
	957,098	1,010,195
 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 shares authorized; 33,847,793 and 33,847,793 shares issued and outstanding on March 31, 2018 and December 31, 2017, respectively	338,478	338,478
Additional paid-in capital	98,605,835	98,562,750
Accumulated deficit	(96,592,906)	(95,669,323)
Total stockholders' equity	2,351,407	3,231,905
	\$ 5,611,003	\$ 6,265,606

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended March 31,	
	2018	2017
Revenue:		
Product revenue	\$ 2,866,931	\$ 3,466,465
Other revenue	30,834	19,138
Total revenue	<u>2,897,765</u>	<u>3,485,603</u>
Operating expense:		
Cost of revenue	<u>2,488,150</u>	<u>2,281,333</u>
Gross profit	409,615	1,204,270
Research and development expense	558,252	383,699
Selling, general and administrative expense	<u>764,251</u>	<u>763,837</u>
Income/(loss) from operations	<u>(912,888)</u>	56,734
Interest income	-	-
Interest expense	(10,695)	(10,338)
Other, net	<u>-</u>	<u>-</u>
Income/(loss) before provision for income taxes	(923,583)	46,396
Provision for income taxes	<u>-</u>	<u>-</u>
Net income/(loss)	<u>\$ (923,583)</u>	<u>\$ 46,396</u>
Net income/(loss) per share-basic and diluted	<u>\$ (0.03)</u>	<u>\$ -</u>
Weighted average number of basic and diluted common shares outstanding	<u>33,847,793</u>	<u>31,230,092</u>

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended March 31,	
	2018	2017
Revenue:		
Product revenue, net	\$ 2,866,931	\$ 3,466,465
Other revenue	30,834	19,138
Total revenue	<u>2,897,765</u>	<u>3,485,603</u>
Operating expense:		
<i>Cost of revenue detail:</i>		
Depreciation	69,940	71,792
Non-Cash equity compensation	6,537	6,126
Other costs of revenue	2,411,673	2,203,415
Cost of revenue	<u>2,488,150</u>	<u>2,281,333</u>
Gross profit	409,615	1,204,270
<i>Research and development expense detail:</i>		
Depreciation	9,926	18,259
Non-Cash equity compensation	11,574	11,894
Other research and development expense	536,752	353,546
Research and development expense	<u>558,252</u>	<u>383,699</u>
<i>Selling, general and administrative expense detail:</i>		
Depreciation and amortization	5,228	4,594
Non-Cash equity compensation	24,973	29,684
Other selling, general and administrative expense	734,050	729,559
Selling, general and administrative expense	<u>764,251</u>	<u>763,837</u>
Income/(loss) from operations	(912,888)	56,734
Interest income	-	-
Interest expense	(10,695)	(10,338)
Other, net	-	-
Income/(loss) before provision for income taxes	(923,583)	46,396
Provision for income taxes	-	-
Net income/(loss)	<u>\$ (923,583)</u>	<u>\$ 46,396</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):		
Addback Interest, net	10,695	10,338
Addback Depreciation/Amortization	85,094	94,645
Addback Non-Cash Equity Compensation	43,084	47,704
Adjusted EBITDA	<u>\$ (784,710)</u>	<u>\$ 199,083</u>