

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS
(Unaudited Consolidated Condensed)

ASSETS	June 30, 2019	December 31, 2018
Current assets:		
Cash and cash equivalents	\$ 1,015,440	\$ 1,345,492
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 on June 30, 2019 and on December 31, 2018	1,651,643	828,417
Inventories, net	2,092,905	2,242,228
Prepaid expenses and other current assets	351,903	273,235
Total current assets	5,111,891	4,689,372
Equipment and leasehold improvements, net	2,126,885	1,864,881
Operating lease right-of-use assets	2,058,962	-
Other assets, net	13,694	14,928
	\$ 9,311,432	\$ 6,569,181
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, related party	\$ 1,246,101	\$ 832,272
Current portion of finance lease obligations	227,446	218,203
Current portion of operating lease obligations	328,713	-
Accounts payable	1,422,668	1,607,406
Accrued expenses	925,655	979,243
Total current liabilities	4,150,583	3,637,124
Long-term portion of finance lease obligations	389,907	506,006
Long-term portion of operating lease obligations	2,038,078	500,000
Long-term loan, related party	500,000	-
Long-term deferred rent	-	343,867
Asset retirement obligations	202,203	198,184
Total long-term liabilities	3,130,188	1,548,057
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; 38,100,792 and 33,911,792 shares issued and outstanding on June 30, 2019 and December 31, 2018, respectively	381,368	339,117
Additional paid-in capital	100,559,667	98,795,105
Accumulated deficit	(98,910,374)	(97,750,222)
Total stockholders' equity	2,030,661	1,384,000
	\$ 9,311,432	\$ 6,569,181

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited Consolidated Condensed)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue:				
Product revenue, net	\$ 3,257,175	\$ 4,043,201	\$ 6,753,908	\$ 6,910,132
Other revenue	36,310	73,359	294,708	104,193
Net revenue	<u>3,293,485</u>	<u>4,116,560</u>	<u>7,048,616</u>	<u>7,014,325</u>
Operating expense:				
Cost of revenue	<u>2,462,062</u>	<u>2,711,741</u>	<u>5,332,723</u>	<u>5,199,891</u>
Gross profit	831,423	1,404,819	1,715,893	1,814,434
Research and development expense	485,321	538,476	961,848	1,096,728
Selling, general and administrative expense	<u>943,571</u>	<u>769,521</u>	<u>1,821,054</u>	<u>1,533,772</u>
Income/(Loss) from operations	(597,469)	96,822	(1,067,009)	(816,066)
Interest income	-	-	-	-
Interest expense	50,039	9,205	93,143	19,900
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	(647,508)	87,617	(1,160,152)	(835,966)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (647,508)</u>	<u>\$ 87,617</u>	<u>\$ (1,160,152)</u>	<u>\$ (835,966)</u>
Net income/(loss) per share- basic and diluted	<u>\$ (0.02)</u>	<u>\$ -</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>
Weighted average number of basic and diluted common shares outstanding	<u>36,136,759</u>	<u>33,847,793</u>	<u>35,030,422</u>	<u>33,847,793</u>

NANOPHASE TECHNOLOGIES CORPORATION

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue:				
Product revenue, net	\$ 3,257,175	\$ 4,043,201	\$ 6,753,908	\$ 6,910,132
Other revenue	36,310	73,359	294,708	104,193
Net revenue	<u>3,293,485</u>	<u>4,116,560</u>	<u>7,048,616</u>	<u>7,014,325</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	60,396	65,730	119,882	135,670
Non-Cash equity compensation	12,280	6,399	20,312	12,936
Other costs of revenue	2,389,386	2,639,612	5,192,529	5,051,285
Cost of revenue	<u>2,462,062</u>	<u>2,711,741</u>	<u>5,332,723</u>	<u>5,199,891</u>
Gross profit	831,423	1,404,819	1,715,893	1,814,434
<i>Research and development expense detail:</i>				
Depreciation	12,444	9,656	24,449	19,582
Non-Cash equity compensation	11,979	11,816	26,392	23,390
Other research and development expense	460,898	517,004	911,007	1,053,756
Research and development expense	<u>485,321</u>	<u>538,476</u>	<u>961,848</u>	<u>1,096,728</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	5,350	5,198	10,789	10,426
Non-Cash equity compensation	33,907	26,474	68,668	51,447
Other selling, general and administrative expense	904,314	737,849	1,741,597	1,471,899
Selling, general and administrative expense	<u>943,571</u>	<u>769,521</u>	<u>1,821,054</u>	<u>1,533,772</u>
Income/(Loss) from operations	(597,469)	96,822	(1,067,009)	(816,066)
Interest income	-	-	-	-
Interest expense	50,039	9,205	93,143	19,900
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	(647,508)	87,617	(1,160,152)	(835,966)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (647,508)</u>	<u>\$ 87,617</u>	<u>\$ (1,160,152)</u>	<u>\$ (835,966)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	50,039	9,205	93,143	19,900
Addback Depreciation/Amortization	78,190	80,584	155,120	165,678
Addback Non-Cash Equity Compensation	58,166	44,689	115,372	87,773
Adjusted EBITDA	<u>\$ (461,113)</u>	<u>\$ 222,095</u>	<u>\$ (796,517)</u>	<u>\$ (562,615)</u>