

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

	As of	
ASSETS	December 31, 2019 (Unaudited)	December 31, 2018
Current assets:		
Cash	\$ 1,193,994	\$ 1,345,492
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 on December 31, 2019 and 2018 respectively	970,472	828,417
Inventories, net	2,553,620	2,242,228
Prepaid expenses and other current assets	266,587	273,235
Total current assets	4,984,673	4,689,372
Equipment and leasehold improvements, net	2,255,158	1,864,881
Operating leases, Right of Use	2,118,883	-
Other assets, net	12,528	14,928
	\$ 9,371,242	\$ 6,569,181
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, bank	\$ 500,000	\$ -
Line of credit, related party	223,871	832,272
Current portion of long-term debt, related party	500,000	-
Current portion of capital lease obligations	218,345	218,203
Current portion of operating lease obligations	356,949	-
Accounts payable	1,748,021	1,607,406
Current portion of deferred revenue	482,349	8,145
Accrued expenses	379,314	971,098
Total current liabilities	4,408,849	3,637,124
Long-term portion of capital lease obligations	287,660	506,006
Long-term portion of operating lease obligations	2,034,592	-
Long-term convertible loan, related party	829,721	-
Long-term portion of related party loan	-	500,000
Long-term deferred rent	-	343,867
Long-term portion of deferred revenue	92,750	-
Asset retirement obligation	206,221	198,184
Total long-term liabilities	3,450,944	1,548,057
Contingent liabilities		
Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 55,000,000 shares authorized; 38,136,792 and 33,911,792 shares issued and outstanding on December 31, 2019 and December 31, 2018, respectively	381,368	339,117
Additional paid-in capital	101,886,411	98,795,105
Accumulated deficit	(100,756,330)	(97,750,222)
Total stockholders' equity	1,511,449	1,384,000
	\$ 9,371,242	\$ 6,569,181

NANOPHASE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended December 31,		Years ended December 31,	
	2019	2018	2019	2018
Revenue:				
Product revenue, net	\$ 2,055,067	\$ 3,138,245	\$ 11,852,011	\$ 14,039,681
Other revenue	335,706	18,407	656,764	152,850
Net revenue	2,390,773	3,156,652	12,508,775	14,192,531
Operating expense:				
Cost of revenue	2,053,674	2,738,511	9,893,117	10,902,561
Gross profit	337,099	418,141	2,615,658	3,289,970
Research and development expense	420,280	545,014	1,869,926	2,057,466
Selling, general and administrative expense	831,251	956,573	3,541,964	3,255,913
Income/(Loss) from operations	(914,432)	(1,083,446)	(2,796,232)	(2,023,409)
Interest income	-	-	-	-
Interest expense	(69,594)	(25,851)	(209,876)	(57,492)
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	(984,026)	(1,109,297)	(3,006,108)	(2,080,901)
Provision for income taxes	-	-	-	-
Net income/(loss)	\$ (984,026)	\$ (1,109,297)	\$ (3,006,108)	\$ (2,080,901)
Net income/(loss) per share- basic and diluted	\$ (0.03)	\$ (0.03)	\$ (0.08)	\$ (0.06)
Weighted average number of basic and diluted common shares outstanding	38,136,792	33,911,792	36,596,372	33,871,815

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Revenue:				
Product revenue, net	\$ 2,055,067	\$ 3,138,245	\$ 11,852,011	\$ 14,039,681
Other revenue	335,706	18,407	656,764	152,850
Net revenue	<u>2,390,773</u>	<u>3,156,652</u>	<u>12,508,775</u>	<u>14,192,531</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	65,082	58,552	246,576	253,475
Non-Cash equity compensation	12,684	8,886	46,293	30,653
Other costs of revenue	1,975,908	2,671,073	9,600,248	10,618,433
Cost of revenue	<u>2,053,674</u>	<u>2,738,511</u>	<u>9,893,117</u>	<u>10,902,561</u>
Gross profit	337,099	418,141	2,615,658	3,289,970
<i>Research and development expense detail:</i>				
Depreciation	11,022	11,139	47,721	40,318
Non-Cash equity compensation	15,804	14,453	58,000	53,216
Other research and development expense	393,454	519,422	1,764,205	1,963,932
Research and development expense	<u>420,280</u>	<u>545,014</u>	<u>1,869,926</u>	<u>2,057,466</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	2,473	12,479	18,421	27,786
Non-Cash equity compensation	34,408	34,750	137,822	120,492
Other selling, general and administrative expense	794,370	909,344	3,385,721	3,107,635
Selling, general and administrative expense	<u>831,251</u>	<u>956,573</u>	<u>3,541,964</u>	<u>3,255,913</u>
Income/(Loss) from operations	(914,432)	(1,083,446)	(2,796,232)	(2,023,409)
Interest income	-	-	-	-
Interest expense	(69,594)	(25,851)	(209,876)	(57,492)
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	(984,026)	(1,109,297)	(3,006,108)	(2,080,901)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (984,026)</u>	<u>\$ (1,109,297)</u>	<u>\$ (3,006,108)</u>	<u>\$ (2,080,901)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	69,594	25,851	209,876	57,492
Addback Depreciation/Amortization	78,577	82,170	312,718	321,579
Addback Non-Cash Equity Compensation	62,896	58,089	242,115	204,361
Addback Other, net	-	-	-	-
Adjusted EBITDA	<u>\$ (772,959)</u>	<u>\$ (943,187)</u>	<u>\$ (2,241,399)</u>	<u>\$ (1,497,469)</u>