

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS
(Unaudited Consolidated Condensed)

ASSETS	September 30, 2020	December 31, 2019
Current assets:		
Cash and cash equivalents	\$ 1,133,850	\$ 1,193,994
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 on September 30, 2020 and on December 31, 2019	2,451,324	970,472
Inventories, net	3,583,944	2,553,620
Prepaid expenses and other current assets	599,387	266,587
Total current assets	7,768,505	4,984,673
Equipment and leasehold improvements, net	2,649,619	2,255,158
Operating lease right-of-use assets	1,916,993	2,118,883
Other assets, net	10,840	12,528
	\$ 12,345,957	\$ 9,371,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, bank	\$ 500,000	\$ 500,000
Line of credit, related party	1,541,113	223,871
Current portion of long-term debt, related party	500,000	500,000
Current portion of finance lease obligations	185,621	218,345
Current portion of operating lease obligations	411,421	356,949
Accounts payable	1,668,492	1,748,021
Current portion of deferred revenue	309,122	482,349
Accrued expenses	645,998	379,314
Total current liabilities	5,761,767	4,408,849
Long-term portion of finance lease obligations	148,369	287,660
Long-term portion of operating lease obligations	1,766,066	2,034,592
Long-term convertible loan, related party	1,030,340	829,721
PPP SBA Loan	951,600	-
Long-term portion of deferred revenue	-	92,750
Asset retirement obligations	212,247	206,221
Total long-term liabilities	4,108,622	3,450,944
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; 38,215,069 and 38,136,792 shares issued and outstanding on September 30, 2020 and December 31, 2019, respectively	381,928	381,368
Additional paid-in capital	102,054,867	101,886,411
Accumulated deficit	(99,961,227)	(100,756,330)
Total stockholders' equity	2,475,568	1,511,449
	\$ 12,345,957	\$ 9,371,242

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited Consolidated Condensed)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
Product revenue, net	\$ 3,826,918	\$ 3,043,036	\$ 11,929,496	\$ 9,796,944
Other revenue	60,538	26,350	332,768	321,058
Net revenue	<u>3,887,456</u>	<u>3,069,386</u>	<u>12,262,264</u>	<u>10,118,002</u>
Operating expense:				
Cost of revenue	<u>2,203,105</u>	<u>2,506,720</u>	<u>7,832,125</u>	<u>7,839,443</u>
Gross profit	1,684,351	562,666	4,430,139	2,278,559
Research and development expense	402,216	487,798	1,133,120	1,449,646
Selling, general and administrative expense	<u>729,779</u>	<u>889,659</u>	<u>2,133,586</u>	<u>2,710,710</u>
Income/(Loss) from operations	552,356	(814,791)	1,163,433	(1,881,797)
Interest income	-	-	-	-
Interest expense	122,137	47,139	368,330	140,282
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	430,219	(861,930)	795,103	(2,022,079)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ 430,219</u>	<u>\$ (861,930)</u>	<u>\$ 795,103</u>	<u>\$ (2,022,079)</u>
Net income/(loss) per basic shares	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>	<u>\$ (0.06)</u>
Weighted average number of basic common shares outstanding	<u>38,141,741</u>	<u>38,136,792</u>	<u>38,138,453</u>	<u>36,077,257</u>
Net income/(loss) per diluted share	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>	<u>\$ (0.06)</u>
Weighted average number of diluted common shares outstanding	<u>38,432,741</u>	<u>38,136,792</u>	<u>38,228,453</u>	<u>36,077,257</u>

NANOPHASE TECHNOLOGIES CORPORATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
Product revenue, net	\$ 3,826,918	\$ 3,043,036	\$ 11,929,496	\$ 9,796,944
Other revenue	60,538	26,350	332,768	321,058
Net revenue	<u>3,887,456</u>	<u>3,069,386</u>	<u>12,262,264</u>	<u>10,118,002</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	73,572	61,612	217,578	181,494
Non-Cash equity compensation	19,426	13,297	38,086	33,609
Other costs of revenue	2,110,107	2,431,811	7,576,461	7,624,340
Cost of revenue	<u>2,203,105</u>	<u>2,506,720</u>	<u>7,832,125</u>	<u>7,839,443</u>
Gross profit	1,684,351	562,666	4,430,139	2,278,559
<i>Research and development expense detail:</i>				
Depreciation	10,579	12,250	31,755	36,699
Non-Cash equity compensation	13,930	15,804	42,797	42,196
Other research and development expense	377,707	459,744	1,058,568	1,370,751
Research and development expense	<u>402,216</u>	<u>487,798</u>	<u>1,133,120</u>	<u>1,449,646</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	4,871	5,159	15,025	15,948
Non-Cash equity compensation	14,998	34,746	66,019	103,414
Other selling, general and administrative expense	709,910	849,754	2,052,542	2,591,348
Selling, general and administrative expense	<u>729,779</u>	<u>889,659</u>	<u>2,133,586</u>	<u>2,710,710</u>
Income/(Loss) from operations	552,356	(814,791)	1,163,433	(1,881,797)
Interest income	-	-	-	-
Interest expense	122,137	47,139	368,330	140,282
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	430,219	(861,930)	795,103	(2,022,079)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ 430,219</u>	<u>\$ (861,930)</u>	<u>\$ 795,103</u>	<u>\$ (2,022,079)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	122,137	47,139	368,330	140,282
Addback Depreciation/Amortization	89,022	79,021	264,358	234,141
Addback Non-Cash Equity Compensation	48,354	63,847	146,902	179,219
Adjusted EBITDA	<u>\$ 689,732</u>	<u>\$ (671,923)</u>	<u>\$ 1,574,693</u>	<u>\$ (1,468,437)</u>