

NANOPHASE TECHNOLOGIES CORPORATION

EXTERNAL COMMUNICATIONS POLICY

(As adopted on May 6, 2013)

Introduction

This External Communications Policy (this "Policy") sets forth the policies of Nanophase Technologies Corporation (the "Company") regarding how representatives of the Company may communicate with outside parties, particularly securities market professionals and those who may own or trade in the Company's securities. Certain terms used in this Policy have the meanings set forth in the section entitled "Key Terms" below.

General Policy

It is the Company's policy that all of its communications with Third Parties comply with applicable law, including Regulation FD promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Only a Spokesperson may engage in discussions about the Company with Third Parties. No other individual is authorized to speak on behalf of the Company. Any other Insider who is contacted by a Third Party must refer the Third Party to a Spokesperson.

Specifically, no Insider, other than a Spokesperson, may communicate Material Nonpublic Information of the Company to a Third Party. A Spokesperson may only provide Material Nonpublic Information to a Third Party if such information has been previously or is simultaneously disclosed in a manner reasonably intended to provide broad, non-exclusionary distribution of the information to the public. This will typically be done through a press release or previously announced conference call or webcast that is open to the public.

In the event of non-intentional disclosure by an Insider of information that might be Material Nonpublic Information, the Insider must immediately inform a Spokesperson, who, in turn, may consult with outside legal counsel as to whether prompt public dissemination of this information is required. If required, the information must be Publicly Disseminated within 24 hours of the inadvertent disclosure.

Whenever a Spokesperson is uncertain about this Policy, Regulation FD or the federal securities laws, the Spokesperson should consult with outside legal counsel to ensure compliance.

A Spokesperson may not depart from the principles set forth in this Policy without the explicit prior approval of the Chief Executive Officer ("CEO") or the Chief Financial Officer ("CFO"). Violation of this Policy may constitute grounds for termination of employment.

Financial Information

No Insider may provide "guidance" to Third Parties on a selective basis, directly or indirectly, and no insider may disclose to Third Parties any information regarding the Company's internal projections of future operating results, business transactions, customer or supplier developments or other Material Nonpublic Information. Additionally, no Insider shall comment on past guidance, if any past guidance exists, even though it has been Publicly Disseminated. For example, if a Third Party asks "How does the Company feel about its initial guidance?" or "Is the Company's initial guidance still correct?", an Insider should refer such inquiry to the Spokesperson, who, in turn, should state that

due to Regulation FD, he or she cannot comment. However, if a Third Party asks "What revenue and earnings targets did the Company provide in its last conference call?", an Insider should refer such inquiry to the Spokesperson, who may disclose such information, but only after reminding the Third Party that the information represented management's views as of the original date of the conference call, and should not be relied upon as representing management's views as of any subsequent date. The information provided in response to the Third Party's inquiry should contain the following statements: (i) a statement that the information is forward-looking, and it is possible that actual results will differ materially, (ii) a reference to the "risk factors" section of the Company's most recent filing with the Securities and Exchange Commission (the "SEC"), (iii) a statement that the Company is not re-confirming or updating the information presented and (iv) a statement that the Company is under no obligation to update this information to reflect events or circumstances after the original date of the conference call.

Analyst Information

Except as set forth below, no Insider may review analysts' reports prior to their being published, send analysts' reports to investors or prospective investors, comment on an analyst's model, provide analysts' phone numbers for people to call them directly, endorse or ratify revenue or earnings projections made by an analyst or express comfort, agreement or disagreement with "the range" or how the analysts arrived at their estimates. A Spokesperson may, however, review an analyst report solely for the purpose of confirming or correcting Publicly Disseminated information that may be contained in such analyst report.

Press Releases

The Company will issue press releases from time to time to disclose information that is important or of use to the public. Press releases will be prepared and reviewed in accordance with the Company's established practices, including review by the Company's auditors and counsel, if appropriate. All press releases must be approved by and issued under the supervision of a Spokesperson.

Services and Company Information

No Insider shall disclose to Third Parties any Material Nonpublic Information regarding the Company or its products, services or other offerings.

Stock Price

No Insider shall comment on how the Company's stock price will change over time, on whether people should buy or sell the Company's stock or whether he or she believes that the stock reacted or will react to a particular event (e.g., product or service offering, business transaction, a Company press release, etc.).

Competitor Information

No Insider shall discuss financial or operational information about competitors with Third Parties. If asked about competitors, a Spokesperson should say that the Company does not comment about its competitors and suggest that the Third Party contact the competitor directly.

A Spokesperson may discuss market share figures and facts from competitors' earnings announcements.

Rumors

No Insider may comment on rumors. A Spokesperson shall be permitted to state that the Company has a policy against commenting on rumors.

Indirect Communications; Chat Rooms

Any communication that would constitute a violation of this Policy if made directly by an Insider to a Third Party shall also constitute a violation if made indirectly to a Third Party. This includes, but is not limited to, communications made by means of electronic forums such as a chat room or other online communication by which a Third Party receives such information indirectly.

Violations of this Policy

Selective disclosure of Material Nonpublic Information in any forum other than the approved methods listed above, and by any individual other than a Spokesperson, and without the express approval of the CEO or the CFO is considered a violation of this Policy and may be considered a violation of Regulation FD under the Exchange Act. A violation of this Policy may result in discipline, up to and including immediate termination of employment and, potentially, an SEC civil enforcement action against the individual offender, the Company and its officers and directors.

Key Terms

As used in this Policy, the following terms have the following meanings:

"Insider" means an employee, officer, director, consultant or contractor of the Company.

"Material Information" - Information should be regarded as material if there is a substantial likelihood that a reasonable investor would consider it important in deciding whether to buy, hold or sell securities or would view the information as significantly altering the total mix of information in the marketplace about the issuer of the security. In general, any information that could reasonably be expected to affect the market price of a security is likely to be material. Either positive or negative information may be material.

It is not possible to define all categories of "material" information. However, some examples of information that could be regarded as material include information with respect to:

- financial results, financial condition, earnings pre-announcements, guidance, projections or forecasts, particularly if inconsistent with the Company's guidance or the expectations of the investment community;
- restatements of financial results or material impairments, write-offs or restructurings;
- changes in independent auditors, or notification that the Company may no longer rely on an audit report;
- business plans or budgets, creation of significant financial obligations or any significant default under or acceleration of any financial obligation;
- impending bankruptcy or financial liquidity problems;

- significant developments involving business relationships, including execution, modification or termination of significant agreements or orders with customers, suppliers, distributors, manufacturers or other business partners;
- product or service introductions, modifications or performance issues or significant pricing changes or other product or service announcements of a significant nature;
- significant developments in research and development or relating to intellectual property;
- significant legal or regulatory developments, whether actual or threatened;
- major events involving the Company's securities, including calls of securities for redemption, adoption of stock repurchase programs, option repricings, stock splits, changes in dividend policies, public or private securities offerings or modification to the rights of security holders;
- significant corporate events, such as a pending or proposed merger, joint venture or tender offer, a significant investment, the acquisition or disposition of a significant business or asset or a change in control of the company; and
- the existence of a special blackout period.

"**Material Nonpublic Information**" means Material Information that has not been previously disclosed to the general public and is otherwise not available to the general public.

"**Publicly Disseminated**" means that information has been made available through the distribution of a press release through a widely disseminated news or wire service, by filing a Form 8-K or by another non-exclusionary method of disclosure that is reasonably designed to provide broad public access, such as announcement at a conference of which the public had notice and to which the public was granted access, either by personal attendance or telephonic or electronic access.

"**Spokesperson**" means the CEO, the CFO, or another Company employee or representative who has been authorized by the CEO or CFO to speak with a Third Party with respect to a particular topic or on a particular occasion.

"**Third Party**" means securities market professionals (including, but not limited to, analysts, broker-dealers, investment advisers and fund managers), existing or prospective securityholders (including anyone who may be reasonably expected to trade on the basis on Material Nonpublic Information), reporters and any other party who is not bound by a duty of confidentiality to the Company.