

NANOPHASE TECHNOLOGIES CORPORATION

WHISTLEBLOWER POLICY

(Procedures for the Submission of Complaints or Concerns Regarding Accounting and Auditing Matters)

(As amended through May 6, 2013)

As a public company, the integrity of the financial information of Nanophase Technologies Corporation (the "Company") is paramount. The Company's financial information guides the decisions of the Board of Directors of the Company (the "Board of Directors"), and is relied upon by our stockholders and the financial markets. For these reasons, the Company must maintain a workplace where the Company can retain and treat all complaints concerning allegedly questionable accounting, internal accounting controls, or auditing matters, or the reporting of allegedly fraudulent financial information to our shareholders, the government or the financial markets, and where employees can raise these concerns free of any discrimination, retaliation or harassment.

It is the policy of the Company to encourage employees, when they reasonably believe that questionable accounting or auditing has occurred or are occurring, to report those concerns to Company management (on an anonymous basis, if employees so desire). All reports will be taken seriously and will be promptly investigated. The specific nature of the investigation undertaken in any particular case depends on the nature and gravity of the conduct or circumstances reported, and the quantity and quality of the information provided.

Any employee may submit a good faith complaint regarding accounting or auditing matters to the management of the Company without fear of retaliation of any kind. The Company is committed to achieving compliance with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices. The Company's Audit and Finance Committee will oversee treatment of employee concerns in this area.

In order to facilitate the reporting of employee complaints, the Company's Audit and Finance Committee has established the following procedures for (1) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters ("Accounting Matters") and (2) the confidential (to the extent described below), anonymous submission by employees of complaints or concerns regarding allegedly questionable Accounting Matters.

Receipt of Employee Complaints

1. The Company has designated a Compliance Officer who is responsible for administering this Policy. The Company's Compliance Officer is Frank Cesario, the Company's Chief Financial Officer. His telephone number is (630) 771-6705 and his e-mail address is fcesario@nanophase.com.
2. Employees with concerns regarding Accounting Matters may report their concerns or complaints regarding Accounting Matters to:
 - the Compliance Officer through e-mail or regular mail marked CONFIDENTIAL

and addressed as follows:

Compliance Officer
Nanophase Technologies Corporation
1319 Marquette Drive
Romeoville, Illinois 60446

The Compliance Officer will forward a copy of the report to the Chairman of the Audit and Finance Committee.

and/or

- the Audit and Finance Committee through regular mail marked CONFIDENTIAL and addressed as follows:

Chairman of Audit and Finance Committee
Nanophase Technologies Corporation
1319 Marquette Drive
Romeoville, Illinois 60446

Scope of Matters Covered by These Procedures

These procedures relate to employee complaints relating to any questionable Accounting Matters, including, without limitation, the following:

- alleged fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement of the Company;
- alleged fraud or deliberate error in the recording and maintaining of financial records of the Company;
- alleged deficiencies in or noncompliance with the Company's internal accounting controls;
- alleged misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports or audit reports of the Company; or
- alleged deviation from full and fair reporting of the Company's financial condition.

Reporting Questionable Accounting Matters

- The confidentiality and anonymity of persons making complaints or expressing concerns will be maintained to the fullest extent possible, consistent with the need to conduct an investigation. The Audit and Finance Committee encourages you to supply contact information with your submission to facilitate clarification and any assistance with possible investigation.
- To assist the Audit and Finance Committee in reviewing and, if necessary, investigating your complaints or concerns, you should provide as much factual, rather than speculative,

information as possible. To the extent possible, you should include the following information in your submission:

- the alleged event, matter or issue that is the subject of the complaint or concern;
- the name of each person you believe is involved;
- if the complaint or concern involves a specific event or events, the approximate date(s) and location(s) of each event; and
- any additional information, documentation or other evidence you believe support the complaint or concern.

Treatment of Complaints

- Upon receipt of a complaint, the Chairman of the Audit and Finance Committee will direct the Compliance Officer to (i) determine whether the complaint actually pertains to Accounting Matters and (ii) when possible, acknowledge receipt of the complaint to the sender.
- Complaints relating to Accounting Matters will be reviewed under Audit and Finance Committee direction and oversight by the Compliance Officer or such other persons as the Audit and Finance Committee determines to be appropriate. The Audit and Finance Committee may enlist committee members, employees of the Company and/or outside legal, accounting or other advisors as the Audit and Finance Committee determines to be appropriate.
- All complaints under this Policy will be promptly and thoroughly investigated, and all information disclosed during the course of the investigation will remain confidential, to the extent consistent with conducting the investigation and taking any appropriate remedial action, in accordance with applicable law.
- All employees and supervisors have a duty to cooperate in the investigation of reports under this Policy, or of discrimination, retaliation or harassment allegedly resulting from the reporting or investigation of such matters. In addition, an employee shall be subject to disciplinary action, including the termination of his or her employment, if the employee fails to cooperate in an investigation, or deliberately provides false information during an investigation.
- If, at the conclusion of its investigation, the Company determines that a violation of this Policy has occurred, the Company will take appropriate remedial action commensurate with the nature and severity of the offense, when and as warranted in the judgment of the Audit and Finance Committee. This action may include disciplinary action against the accused party, including termination. Reasonable steps will also be taken to prevent any further violations of policy.

Discrimination, Retaliation or Harassment

- The Company will not discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of such employee with respect to good faith reporting of complaints

and other protected conduct regarding Accounting Matters or otherwise as specified in Section 806 of the Sarbanes-Oxley Act of 2002 or the Illinois Whistleblower Act.

- The Company also strictly prohibits any discrimination, retaliation or harassment against any person who participates in an investigation of complaints about allegedly questionable Accounting Matters.
- Any complaint that any managers, supervisors, or employees are involved in discrimination, retaliation or harassment related to the reporting or investigation of allegedly questionable Accounting Matters, or other discrimination, retaliation or harassment prohibited by applicable law, shall be promptly and thoroughly investigated in accordance with the Company's investigation procedures. If a complaint of discrimination, retaliation or harassment is substantiated, appropriate disciplinary action, including discharge, will be taken.

Reporting and Retention of Complaints and Investigations

- At the direction of the Audit and Finance Committee, the Compliance Officer will maintain a log of all complaints, tracking their receipt, investigation and resolution and shall prepare a periodic summary report thereof for the Audit and Finance Committee.
- All documents related to the reporting, investigation and enforcement of this Policy, as a result of a report of allegedly questionable Accounting Matters, or of the discrimination, retaliation or harassment of an employee that made such a report, shall be kept in accordance with the Company's record retention policy and applicable law.

Modification

The Nominating and Corporate Governance Committee or the Board of Directors of the Company can modify this Policy unilaterally at any time without notice. Modification may be necessary, among other reasons, to maintain compliance with local, state and federal regulations and/or accommodate organizational changes within the Company.