

CYANOTECH CORPORATION

AUDIT COMMITTEE CHARTER (As amended through November 8, 2011)

I. Organization

The Audit Committee (the “**Audit Committee**”) of Cyanotech Corporation (“**Cyanotech**” or the “**Company**”) shall consist of three or more Directors who satisfy the Nasdaq Stock Market (“Nasdaq”) independence requirements described in Nasdaq Rule 5605(a)(2) and who have been appointed by the Board of Directors (the “**Board**”), which may replace members of the Audit Committee as such action becomes necessary or appropriate.

Each member of the Audit Committee also must satisfy the additional audit committee independence requirements defined in Nasdaq Rule 5605(c)(2) and Securities Exchange Act of 1934, as amended (“**Exchange Act**”) Rule 10A-3(b)(1). In addition, each Audit Committee member must satisfy the financial literacy and other qualifications for appointment set forth in the Nasdaq Capital Market listing agreement and in applicable Exchange Act rules and regulations. At least one member of the Audit Committee must also qualify as a “financial expert” under Item 407(d)(5)(ii) and (iii) of Securities and Exchange Commission (“**SEC**”) Regulation S-K and under Nasdaq Rule 5605(c)(2)(A) by reason of having had past employment experience in finance, accounting, professional certification in accounting, or other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

Meetings of the Audit Committee shall be called as often as it deems necessary, but not less frequently than quarterly, by the Chairman of the Board, Chair of the Audit Committee or any two Board members. The Audit Committee shall meet periodically in separate executive sessions with management, the internal auditor(s) and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Audit Committee deem appropriate. The determination of a quorum for the transaction of business at any meeting of the Audit Committee shall be made in accordance with the By-Laws of the Company and all matters shall be determined by a majority vote of the members present.

II. Purpose of the Audit Committee

The purpose of the Audit Committee shall be to provide assistance to the Board in fulfilling its oversight responsibility to stockholders, prospective stockholders, the investment community, and regulators relating to: (a) the quality and integrity of the financial statements of the Company; (b) the Company's compliance with legal and regulatory requirements; (c) the independent auditor's qualifications, independence and performance; (d) the performance of the Company's internal audit function; and (e) the fulfillment of other responsibilities set forth herein or assigned by the Board.

The Audit Committee's role is one of oversight. Management is responsible for the accounting function and for preparing and reporting the Company's financial statements; the independent auditor is responsible for auditing those financial statements. Management is responsible for the fair presentation of the information set forth in the Company's financial statements and to assure that such financial statements have been prepared using generally accepted accounting principles ("GAAP"). The independent auditor's responsibility is to provide its opinion, based on its audits, that the financial statements fairly present, in all material aspects, the financial position, results of operations, and cash flows of the Company in conformity with GAAP. However, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are in conformity with GAAP, or to assure compliance with applicable laws and regulations.

The Audit Committee shall prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

III. Authority and Responsibilities

In furtherance of the Audit Committee's purpose, and in addition to any other responsibilities that may be assigned to it from time to time by the Board, the Audit Committee shall have the following authority and responsibilities:

General

- ∞ On a periodic basis, meet separately with Company management and the independent auditor so as to enable the Committee to perform its oversight role hereunder.
- ∞ Permit direct access to the Audit Committee by the Chief Financial Officer, Controller, senior internal auditor, independent auditor, or any other person with respect to control, accounting, finance, or compliance matters.

- ∞ Report its activities to the full Board on a regular and timely basis so that the Board is kept informed of Audit Committee activities.

Independent Auditor

- ∞ Be solely and directly responsible for the appointment (subject to ratification by the stockholders), retention, compensation, evaluation, oversight, and, where appropriate, replacement of the independent auditor (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services. The independent auditor shall report directly to the Audit Committee.
- ∞ Review and approve each year the scope and plan of the audit to be performed by the independent auditor, including areas of special emphasis where appropriate.
- ∞ Establish guidelines for the pre-approval of all audit, internal control and non-audit services to be performed by the independent auditor and, in accordance with such procedures, pre-approve all audit and permitted non-audit services (including the fees and terms thereof) to be performed by the independent auditor.

Financial Statement and Disclosure Matters

- ∞ Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- ∞ Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.
- ∞ Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

- ∞ Review and discuss with management and the independent auditor any major issues as to the adequacy of the Company's internal controls, any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
- ∞ Review and discuss with management (including the senior internal auditor) and the independent auditor the Company's internal controls report prior to the filing of the Company's Form 10-K.
- ∞ Review and discuss quarterly reports from the independent auditor on:
 - (a) all critical accounting policies and practices to be used;
 - (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
 - (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- ∞ Discuss with management the Company's earnings press releases, including the use of "*pro forma*" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies, if any. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
- ∞ Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- ∞ Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- ∞ Discuss with the independent auditor the matters required to be discussed by Statement of Auditing Standards 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the

scope of activities or access to requested information, and any significant disagreements with management.

- ∞ Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein, and any fraud involving management or other employees who have a significant role in the Company's internal controls.

- ∞ In the event that the Company receives an audit opinion with a going concern qualification, ensure that a public announcement of that qualification is made promptly.

Oversight of the Company's Relationship with the Independent Auditor

- ∞ Before the engagement of the independent auditor and at least annually thereafter, review and discuss with the independent auditor the independent auditor's written communications to the audit committee regarding the relationships between the auditor and the Company that, in the auditor's professional judgment, may reasonably be thought to bear on its independence and affirming in writing to the audit committee that the auditor is independent.

- ∞ Review and evaluate the lead partner of the independent auditor team.

- ∞ Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditor and (c) any steps taken to deal with any such issues. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the independent auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and internal auditors. The audit Committee shall present its conclusions with respect to the independent auditor to the Board.

- ∞ Obtain from the independent auditor a formal written statement delineating all relationships between the independent auditor and the Company. It is the responsibility of the Audit Committee to actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and for purposes of taking, or recommending that the full Board take, appropriate action to oversee the independence of the outside auditor.
- ∞ Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditor on a regular basis.
- ∞ Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor.

Compliance Oversight Responsibilities

- ∞ Obtain from the independent auditor assurance (as implicated by Section 10A (b) of the Securities Exchange Act of 1934) that no illegal act has been detected.
- ∞ Obtain reports from management, the Company's senior internal auditor and the independent auditor that the Company and any subsidiary are in conformity with applicable legal requirements and the Company's Code of Conduct and Ethics. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Code of Conduct and Ethics.
- ∞ Review and oversee all related-party transactions in accordance with SEC regulations and NASDAQ rules.
- ∞ Periodically discuss with legal counsel legal matters that may have a material impact on the financial statements of the Company's compliance policies.
- ∞ Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.
- ∞ Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or

auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

IV. Investigations, Advisors, and Funding

The Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain independent legal, accounting, or other advisors as it deems necessary or appropriate to conduct such investigations or to carry out its responsibilities. The Company shall provide for appropriate funding, as determined by the Audit Committee, for the payment of compensation to such legal, accounting, or other advisors and to the Company's independent auditor for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company. The Company shall also provide for appropriate funding, as determined by the Audit Committee, for payment of the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

V. Performance Evaluation

The Audit Committee shall evaluate its performance on an annual basis.

VI. Charter Review

The Audit Committee shall review and reassess the adequacy of this Charter on an annual basis and recommend any proposed changes to the Board for its approval and adoption.

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