

DYADIC INTERNATIONAL, INC.

AUDIT COMMITTEE CHARTER

I. Purpose

The role of the Audit Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.

The Audit Committee shall also prepare the report required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in the Company’s annual proxy statement.

II. Composition

A. Independence

The Audit Committee shall consist of two or more members of the Board of Directors (the “Board”), each of whom is determined by the Board to be “independent” under Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”), and Rule 10A-3(b)(1) promulgated thereunder (subject to the exemptions provided in Rule 10A-3(c)), the rules of the Nasdaq Stock Market or any other national securities exchange on which the Company’s common stock is then listed (the “Exchange”) and the rules and regulations of the SEC. No person who participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the prior three years is qualified to serve as a member of the Audit Committee.

B. Financial Expertise

All members of the Audit Committee must be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. At least one member of the Audit Committee must (i) have past employment experience in finance or accounting, the requisite professional certification in accounting or any other comparable experience or background that has resulted in such member’s attainment of financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities and (ii) be an “audit committee financial expert,” as such term is defined by the SEC.

C. Simultaneous Service

If an Audit Committee member serves on the audit committee of more than three public companies, the Board shall determine whether such simultaneous service will impair the director’s ability to effectively serve on the Audit Committee and make such disclosures with respect to such determination, if any, as required by the regulations of the Exchange.

III. Appointment and Removal

The members of the Audit Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Audit Committee may be removed, with or without cause, by a majority vote of the Board.

IV. Chairperson

Unless a Chairperson is elected by the full Board, the members of the Audit Committee shall designate a Chairperson by the majority vote of the full Audit Committee membership. The Chairperson will chair all regular sessions of the Audit Committee and set the agenda for Audit Committee meetings.

V. Delegation to Subcommittees

In fulfilling its responsibilities, the Audit Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Audit Committee.

VI. Meetings

The Audit Committee shall meet as often as it determines but no less than once per quarter, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Secretary of the Company, the Chairman of the Board or any member of the Audit Committee may call meetings of the Committee. The Audit Committee shall meet regularly with each of the Company's management, its principal internal auditor and the Company's outside independent auditing firm (the "outside auditing firm") in separate executive sessions to discuss any matters that the Audit Committee or any of these named parties believe should be discussed privately. In addition, the Audit Committee or its chairperson shall meet with the independent auditors and management quarterly to review the Company's financial statements. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or outside auditing firm to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

VII. Relationship with Independent Accountants

The Audit Committee shall be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation, retention and oversight of the work of the outside auditing firm. In this regard, the Audit Committee shall have the sole authority to (A) appoint and retain, (B) determine the funding for, and (C) when appropriate, terminate, the outside auditing firm, which shall report directly to the Audit Committee. The Audit Committee will be responsible for resolving any disputes between the outside auditing firm and the Company's management.

VIII. Funding

The Company shall provide for appropriate funding of the Audit Committee, as it may determine in its capacity as a committee of the Board, for the payment of:

1. Compensation to the outside auditing firm;
2. Compensation to any advisers employed by the Audit Committee under the authority provided in this Charter; and
3. Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

IX. Duties and Responsibilities

To fulfill its responsibilities and duties the Audit Committee shall:

A. Financial Reporting Processes and Documents/Reports Review

1. Review and discuss with the outside auditing firm: (A) the scope of the audit, the results of the annual audit examination by the auditor and any accompanying management letters, (B) any audit problems or difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the outside auditing firm's activities or on access to requested information, and any significant disagreements with management and management's response to such audit problems or difficulties, and (C) any reports of the outside auditing firm with respect to interim periods.

2. Review and discuss with management and the outside auditing firm the annual audited and quarterly unaudited financial statements of the Company, including (A) analyses of management and/or the outside auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements, (B) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including the development, selection and reporting of accounting policies that may be regarded as critical, and (C) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations.

3. Recommend to the Board whether the financial statements should be included in the Annual Report on Form 10-KSB.

4. Periodically review and discuss the adequacy of the Company's internal controls, any significant deficiencies in internal controls (and any special audit steps adopted in light of material control deficiencies), and significant changes in such controls; and review and discuss with the principal internal auditor of the Company and

such others as the Audit Committee deems appropriate, the scope and results of the internal audit program.

5. Periodically review and discuss the adequacy and effectiveness of the Company's disclosure controls and procedures and management reports thereon.

6. Review disclosures made to the Audit Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-KSB and 10-QSB 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.

7. Review and timely discuss with management and the outside auditors the effect of regulatory and accounting initiatives, as well as any material financial or non-financial arrangements of the Company that do not appear on the financial statements of the Company.

8. Review and discuss with the independent auditors their report regarding (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 officials of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and (C) other material written communications between the outside auditing firm and Company management, including a schedule of unadjusted differences.

9. Review with financial management and the independent accountants the Company's filings with the SEC prior to their filing or prior to the release of earnings reports. The Chair of the Audit Committee may represent the entire Audit Committee for purposes of this review.

10. Prepare all reports required to be included in the Company's proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC.

11. Discuss and review earnings press releases, including the type and presentation of information to be included in earnings press releases, in particular the use of "pro forma" or "adjusted" non-GAAP information.

12. Discuss and review financial information and earnings guidance provided to analysts and rating agencies.

13. Discuss policies with respect to risk assessment and risk management.

B. Independent Accountants

1. Approve in advance all audit, review or attest engagements required under the securities laws to be provided by the outside auditing firm, including fees and terms.

2. Establish policies and procedures for the engagement of the outside auditing firm to provide permissible non-audit services, which shall require preapproval by the Audit Committee (other than with respect to *de minimis* exceptions described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to the completion of the audit). Ensure that approval of non-audit services are disclosed to investors in periodic reports required by Section 13(a) of the Exchange Act.

3. The authority to grant preapproval of audit and non-audit services may be delegated to one or more designated members of the Audit Committee who are independent directors. Any such delegation shall be presented to the full Audit Committee at its next scheduled meeting.

4. Review, at least annually, a report by the outside auditor describing (A) the firm's internal quality-control procedures, (B) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the last five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues, and (C) all relationships between the independent auditor and the Company.

5. In connection with the report review described in the previous paragraph, review and evaluate the lead partner of the outside auditing firm and present to the Board the Audit Committee's conclusions with respect to the qualifications and performance of the outside auditing firm.

6. Consider, at least annually, the independence of the outside auditing firm, including whether the outside auditing firm's performance of permissible non-audit services is compatible with the auditor's independence; obtain and review the report by the outside auditing firm describing any relationships between the outside auditing firm and the Company referred to in paragraph four above or any relationships between the outside auditing firm and the Company or any other relationships that may adversely affect the independence of the auditor; discuss with the outside auditing firm any disclosed relationship or services that may impact the objectivity and independence of the auditor; present to the Board the Audit Committee's conclusions with respect to the independence of the outside auditing firm; and take, or recommend that the full Board take, appropriate action to oversee the independence of the outside auditor.

7. Ensure rotation of the audit partners of the outside auditing firm as required by law and consider further whether, to assure continuing auditor independence, there should be a regular rotation of the outside auditing firm itself.

8. Establish policies for the hiring of employees and former employees of the outside auditing firm.

C. Outside Advisors

The Audit Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist the Audit Committee in the performance of its duties. The Audit Committee shall have sole authority to approve related fees and retention terms.

D. Ethical and Legal Compliance

1. Establish, review and update periodically a code of business ethics and conduct that applies to the Company's employees and directors (the "Code of Ethics"), ensure that management has established a system to enforce the Code of Ethics, and consider and decide whether any waivers thereunder should, in accordance with applicable law and good professional ethics, be granted. The Audit Committee shall cause (i) the Code of Ethics to be publicly available and (ii) any waivers granted to executive officers and directors of the Company thereunder to be disclosed in accordance with applicable law.

2. Review and approve, if the duty is not delegated to a comparable body of the Board, all related party transactions in accordance with the regulations of the Exchange.

3. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.

4. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.

5. Perform any other activities consistent with this Charter, the Company's bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

X. Reports and Performance Review

The Audit Committee shall report its actions and any recommendations to the Board after each Audit Committee meeting and shall conduct and present to the Board an annual performance evaluation of the Audit Committee. The Audit Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

XI. Procedural Rules

The Committee may establish its own rules for the conduct of its meetings and proceedings, subject to the provisions of Section 4.11 of the Amended and Restated Bylaws of the Company and the following requirements:

1. Each member of the Audit Committee shall have one vote;
2. A quorum of the Audit Committee shall consist of a majority of its members;
3. The Audit Committee shall be authorized to take any permitted action only by the affirmative vote of a majority of the members thereof present at any meeting at which a quorum of its members is present, or by the unanimous written consent of all of the members thereof;
4. Meetings of the Audit Committee shall be held at least annually and may be held in person or by means of conference telephone equipment; and
5. The Audit Committee shall maintain and submit to the Board of Directors copies of the minutes of each meeting of the Audit Committee, and each written consent to action taken without a meeting, reflecting the actions so authorized or taken by the Audit Committee since the preceding meeting of the Board of Directors.

XII. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the outside auditor.

XIII. Disclosure of Charter

This Charter will be made available in accordance with applicable rules and regulations.

*Adopted by Resolution of the Board of Directors
January 12, 2005*