

CYANOTECH CORPORATION

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Kailua-Kona, HI 96740
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<https://www.cyanotech.com/>
investorrelations@cyanotech.com

Annual Report

For the period ending March 31, 2026 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

7,249,724 as of March 31, 2026 (Current Reporting Period Date or More Recent Date)

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control⁵ of the company has occurred during this reporting period:

Yes: No:

⁵ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) **Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

White Mountain, Inc., a Nevada corporation incorporated March 3, 1980 with 50,000,000 authorized common shares at \$0.001 par value, entered a reverse merger with Altex Technology, Inc. (a Washington corporation) on November 14, 1983, after which the combined company was renamed Cyanotech Corporation. Cyanotech has not undergone any subsequent mergers or reorganizations; its most recent restated articles of incorporation were filed in November 2012.

Current State and Date of Incorporation or Registration: Nevada, March 3, 1983

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years: None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

On February 9, 2026, Cyanotech completed a 400-for-1 reverse stock split immediately followed by a 1-for-400 forward stock split (together, the "Reverse/Forward Stock Split"). Stockholders of record holding fewer than 400 pre-split shares were cashed out rather than receiving shares, reducing the total number of record holders to fewer than 300. Cashed-out stockholders received \$0.47 per pre-split share and thereafter have no further interest in or stockholder rights with respect to the Company. The purpose of the transaction was to allow Cyanotech to terminate registration of its Common Stock under Section 12(g) of the Exchange Act and suspend its SEC reporting obligations — a "going private" transaction.

List any company name change, stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On February 9, 2026, Cyanotech completed a 400-for-1 reverse stock split immediately followed by a 1-for-400 forward stock split (together, the "Reverse/Forward Stock Split"). Stockholders of record holding fewer than 400 pre-split shares were cashed out rather than receiving shares, reducing the total number of record holders to fewer than 300. Cashed-out stockholders received \$0.47 per pre-split share and thereafter have no further interest in or stockholder rights with respect to the Company. The purpose of the transaction was to allow Cyanotech to terminate registration of its Common Stock under Section 12(g) of the Exchange Act and suspend its SEC reporting obligations — a "going private" transaction.

Address of the issuer's principal executive office:

Cyanotech Corporation
73-4460 Queen Kaahumanu Highway, Suite 102
Kailua-Kona, HI 96740

Address of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) **Security Information**

Transfer Agent

Name: Computershare Trust Company, Inc.
Phone: 866-595-6048
Email: Web.queries@computershare.com
Address: 150 Royall Street Suite 101, Canton, MA 02021

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	CYAN
Exact title and class of securities outstanding:	Common
CUSIP:	232437301
Par or stated value:	\$0.02
Total shares authorized:	50,000,000 as of date: 3/31/26
Total shares outstanding:	7,249,724 as of date: 3/31/26
Total number of shareholders of record:	86 as of date: 3/31/26

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	Preferred
Par or stated value:	\$0.01
Total shares authorized:	10,000,000 as of date: 3/31/26
Total shares outstanding:	0 as of date: 3/31/26
Total number of shareholders of record:	0 as of date: 3/31/26

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

Common stockholders receive ratable dividends if and when declared by the Board (none ever paid), hold one vote per share with no cumulative voting, and have no preemptive or conversion rights.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

No preferred stock is currently issued or outstanding; all rights and preferences (including dividend, voting, conversion, liquidation, and redemption terms) will be determined by the Board at the time of any future issuance.

3. Describe any other material rights of common or preferred stockholders.

Upon liquidation, common stockholders receive ratable distribution of remaining assets subordinate to any preferred stock, and the articles of incorporation include anti-takeover provisions such as no cumulative voting, Board-only authority to fill vacancies, and advance notice requirements for stockholder nominations.

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None during the 12-month period ended March 31, 2026.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

Date of Transaction	Transaction Type (new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or Cancelled)	Class of Securities	Value of Shares Issued (\$/share) at Issuance	Issued at a Discount to Market Price at Issuance? (Yes/No)	Individual / Entity Shares Were Issued To (control person(s) disclosed for entities)	Reason for Share Issuance / Nature of Services Provided	Restricted or Unrestricted as of This Filing	Exemption or Registration Type
Shares Outstanding — Opening Balance: 6,947,246 shares of Common Stock (\$0.02 par) issued and outstanding as of March 31, 2024. No preferred stock outstanding.									
Fiscal Year 2025 (April 1, 2024 – March 31, 2025)									
9/4/2024	New issuance (restricted stock)	116,049	Common	N/A — non-cash equity compensation	No	Michael A. Davis (37,037); David M. Mulder (39,506); David L. Vied (39,506) — non-employee directors	Director compensation — fully vested restricted stock under the 2024 Independent Director Stock Option & Restricted Stock Grant Plan	Restricted (control securities — Rule 144)	Form S-8 (2024 Independent Director Plan)
9/10/2024	New issuance (restricted stock in lieu of cash)	66,667	Common	N/A — non-cash (in lieu of board fees)	No	Michael A. Davis — non-employee director	Director compensation — restricted stock elected in lieu of cash for prior- and current-year quarterly board fees	Restricted (control securities — Rule 144)	Form S-8 (2024 Independent Director Plan)
10/1/2024	New issuance (restricted stock in lieu of cash)	13,158	Common	N/A — non-cash (in lieu of board fees)	No	Non-employee director	Director compensation — restricted stock elected in lieu of cash for Q2 FY2025 quarterly board fees	Restricted (control securities — Rule 144)	Form S-8 (2024 Independent Director Plan)
Various vesting dates during FY2025	New issuance (RSU settlement, net of tax withholding)	56,788	Common	N/A — non-cash equity compensation	No	Various employees (settlement of vested RSUs)	Employee equity compensation — net shares issued on settlement of vested RSUs under the 2016 Equity Incentive Plan (90,956 gross vested less 34,168 shares withheld for taxes)	Unrestricted (S-8 registered; insider/officer shares are control securities — Rule 144)	Form S-8 (2016 Equity Incentive Plan)
Balance as of March 31, 2025: 7,199,908 shares (net change +252,662) — ties to the audited Consolidated Statements of Stockholders' Equity.									
Fiscal Year 2026 (April 1, 2025 – March 31, 2026)									
8/28/2025	New issuance (restricted stock)	150,000	Common	N/A — non-cash equity compensation	No	Michael A. Davis (50,000); David M. Mulder (50,000);	Director compensation — fully vested restricted stock under the 2024 Independent Director Stock Option &	Restricted (control securities — Rule 144)	Form S-8 (2024 Independent Director Plan)

						David L. Vied (50,000) — non-employee directors	Restricted Stock Grant Plan		
Various vesting dates during FY2026 prior to 2/9/26	New issuance (RSU settlement, net of tax withholding)	42,335	Common	N/A — non-cash equity compensation	No	Various employees (settlement of vested RSUs)	Employee equity compensation — net shares issued on settlement of vested RSUs under the 2016 Equity Incentive Plan (66,406 gross vested less 24,071 shares withheld for taxes)	Unrestricted (S-8 registered; insider/officer shares are control securities — Rule 144)	Form S-8 (2016 Equity Incentive Plan)
2/9/2026	Cancellation (cash-out of fractional shares in reverse/forward stock split)	(142,519)	Common	\$0.47 per pre-split share (cash in lieu of fractional shares)	N/A	Record holders of fewer than 400 pre-split shares (cashed out)	Going-private transaction (Rule 13e-3): a 400-for-1 reverse stock split immediately followed by a 1-for-400 forward stock split, to reduce record holders below 300 and terminate registration under §12(g) of the Exchange Act	Cancelled	N/A
Balance as of March 31, 2026: 7,249,724 shares (net change +49,816) — ties to the audited Consolidated Balance Sheet and to the shares outstanding reported above.									
Subsequent Interim Period (April 1, 2026 – date of this report): No changes to shares outstanding have been identified from the stock ledger.									

Any additional material details, including footnotes to the table are below:

- (1) Equity-compensation issuances are non-cash; no purchase price applies. RSU settlements are presented net of shares withheld to satisfy employees' tax obligations (FY2025: 90,956 shares vested less 34,168 withheld = 56,788 net issued; FY2026: 66,406 shares vested less 24,071 withheld = 42,335 net issued), consistent with the Company's audited Consolidated Statements of Stockholders' Equity.
- (2) Restricted stock awards to directors are issued and outstanding at grant. Director and officer shares are control securities subject to Rule 144 even where the underlying plan shares were registered on Form S-8.
- (3) Stock options outstanding under the Stock Plans were not exercised during FY2025 or FY2026 and therefore did not change shares outstanding.
- (4) Source: equity-plan administration ASC 718 award report and the Company's audited consolidated financial statements for the fiscal years ended March 31, 2026 and 2025.

B. Convertible Debt

The following is a complete list of the Company's Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer's equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Date of Note Issuance	Principal Amount at Issuance (\$)	Outstanding Balance (\$) (include accrued interest)	Maturity Date	Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)	# Shares Converted to Date	# of Potential Shares to be	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g., Loan, Services, etc.)

						Issued Upon Conversion ⁶		

Total Outstanding Balance:

Total Shares:

Any additional material details, including footnotes to the table are below: N/A

4) Issuer’s Business, Products and Services

The purpose of this section is to provide a clear description of the issuer’s current operations. Ensure that these descriptions are updated on the Company’s Profile on www.OTCMarkets.com.

A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

Cyanotech Corporation, a world leader in microalgae technology for more than 40 years, produces BioAstin® Hawaiian Astaxanthin® and Hawaiian Spirulina Pacifica®. These all-natural, dietary ingredients and supplements leverage our experience and reputation for quality, building nutritional brands which promote health and well-being. The Company’s mission is to fulfill the promise of whole health through Hawaiian microalgae. We produce our products in the United States and are sold globally through Cyanotech and our wholly owned subsidiary, Nutrex-Hawaii, Inc.

B. List any subsidiaries, parent company, or affiliated companies.

Subsidiary: Nutrex Hawaii, Inc.

C. Describe the issuers’ principal products or services.

The Company grows both astaxanthin and spirulina in open ponds in a natural setting on the Kona coast in Hawaii. The products are sold in bulk or packaged form. The packaged products are sold by Nutrex-Hawaii, Inc. under the brand name BioAstin® Hawaiian Astaxanthin® and Hawaiian Spirulina Pacifica®.

5) Issuer’s Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent to which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

Our Corporate headquarters is on a 96-acre facility in Kailua-Kona, Hawaii where the Company grows, cultivates, processes and extracts microalgae. The Company’s finished product distribution center is in Rancho Cucamonga, California.

⁶ The total number of shares that can be issued upon full conversion of the Outstanding Balance. The number should not factor any “blockers” or limitations on the percentage of outstanding shares that can be owned by the Noteholder at a particular time. For purposes of this calculation, please use the current market pricing (e.g. most recent closing price, bid, etc.) of the security if conversion is based on a variable market rate.

6) All Officers, Directors, and 5% Beneficial Owners of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Individual Name	Position/Company Affiliation	City and State	Number of Shares Owned*	Class of Shares Owned	Percentage of Class of Shares Owned*
Michael A. Davis	Chairman of the Board	Kailua-Kona, HI	1,838,756	Common	24.6%
David L. Vied	Independent Director	Kailua-Kona, HI	225,138	Common	3.0%
David M. Mulder	Independent Director	Kailua-Kona, HI	209,468	Common	2.8%
Matthew K. Custer	President & CEO; Director	Kailua-Kona, HI	156,721	Common	2.1%
Gerald R. Cysewski, Ph.D.	CEO Emeritus & Chief Scientific Officer	Kailua-Kona, HI	146,677	Common	2.0%
Amy B. Nordin	VP Human Resources, Corporate Secretary	Kailua-Kona, HI	59,030	Common	0.8%
Glenn D. Jensen	VP, Operations	Kailua-Kona, HI	44,300	Common	0.6%
Collette N. Kakuk	Chief Strategic & Commercial Officer	Kailua-Kona, HI	38,041	Common	0.5%
Jennifer M. Johansen	VP, Quality, Regulatory & Gov't Affairs	Kailua-Kona, HI	9,723	Common	0.1%
Jennifer A.S. Miyashiro	CFO, VP - Finance & Admin, Treasurer	Kailua-Kona, HI	-	Common	0.0%
Jennifer K. Brand	VP, Sales	Kailua-Kona, HI	-	Common	0.0%
Rudolf Steiner Foundation	> 5% beneficial owner	San Francisco, CA	917,133	Common	12.2%
Ginungagap Foundation	> 5% beneficial owner	Tiburon, CA	424,621	Common	5.7%
Officers, Directors, and 5%+ Beneficial Owners			4,069,608		54.4%

*as of 3/31/2026. Includes options vested but not exercised.

7) Legal/Disciplinary History

- A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:
1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations); NO
 2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities; NO
 3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated; NO
 4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or NO
 5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities. NO
 6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail. NO
- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities. NONE

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel

Name: Allen Overy Shearman Sterling US LLP
Address 1: 140 New Montgomery
Address 2: San Francisco, CA 94105
Phone: +1 415 796 4160
URL: <https://www.aoshearman.com/en/about-us>

Accountant or Auditor

Name: BPM LLP
Firm: BPM LLP
Address 1: One California Street Suite 2500
Address 2: San Francisco, CA 94111

Phone: +1 (415) 421-5757
Email: <https://www.bpm.com/>

Investor Relations

Name: Jennifer Miyashiro, CFO
Firm:
Address 1:
Address 2:
Phone:
Email: investorrelations@cyanotech.com

All other means of Investor Communication:

X (Twitter):
Discord:
LinkedIn
Facebook:
[Other]

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.
N/A

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Jennifer Miyashiro
Title: CFO, Cyanotech
Relationship to Issuer: CFO, Cyanotech

B. The following financial statements were prepared in accordance with:

- IFRS
 U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Linda Tanoai
Title: Corporate Controller, Cyanotech
Relationship to Issuer: Corporate Controller, Cyanotech

Describe the qualifications of the person or persons who prepared the financial statements:⁷

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity);
- Financial Notes

⁷ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be “machine readable.” Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Matthew Custer certify that:

1. I have reviewed this Disclosure Statement for Cyanotech Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

06/29/2026

/s/ Matthew Custer, CEO

Principal Financial Officer:

I, Jennifer Miyashiro certify that:

1. I have reviewed this Disclosure Statement for Cyanotech Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

06/29/2026

/s/ Jennifer Miyashiro, CFO

CYANOTECH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2026 and 2025

CYANOTECH CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Cyanotech Corporation

Opinion

We have audited the consolidated financial statements of Cyanotech Corporation (a Nevada corporation) and its subsidiary (together, the "Company"), which comprise the consolidated balance sheets as of March 31, 2026 and 2025, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2026 and 2025, and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BPM LLP

Santa Rosa, California
June 29, 2026

CYANOTECH CORPORATION
CONSOLIDATED BALANCE SHEETS
As of March 31, 2026 and 2025
(In thousands, except share and per share amounts)

	2026	2025
ASSETS		
Current assets:		
Cash	\$ 810	\$ 257
Accounts receivable, net of allowance of credit losses of \$8 and \$16 as of March 31, 2026 and 2025, respectively	3,247	1,953
Inventories	6,336	7,788
Prepaid expenses and other current assets	478	547
Total current assets	10,871	10,545
Equipment and leasehold improvements, net	7,775	8,927
Operating lease right-of-use assets, net	3,356	3,902
Other assets	123	116
Total assets	\$ 22,125	\$ 23,490
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,703	\$ 2,217
Accrued expenses	1,086	715
Customer deposits	78	110
Operating lease obligations, current portion	601	555
Short-term debt – bank	-	760
Line of credit – related party	4,600	3,000
Term loan	2,635	2,886
Total current liabilities	10,703	10,243
Long-term debt – related party	1,000	1,000
Operating lease obligations, net of current portion	2,762	3,363
Total liabilities	14,465	14,606
Commitments and contingencies		
Stockholders' equity:		
Common stock of \$0.02 par value, 50,000,000 shares authorized; 7,249,724 shares and 7,199,908 shares as of March 31, 2026 and 2025 issued and outstanding, respectively	145	144
Additional paid-in capital	34,901	34,844
Accumulated deficit	(27,386)	(26,104)
Total stockholders' equity	7,660	8,884
Total liabilities and stockholders' equity	\$ 22,125	\$ 23,490

CYANOTECH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the fiscal years ended March 31, 2026 and 2025
(In thousands, except per share amounts)

	2026	2025
Net sales	\$ 26,587	\$ 24,215
Cost of sales	17,913	17,339
Gross profit	8,674	6,876
Operating expenses:		
General and administrative	4,272	4,397
Sales and marketing	4,748	4,538
Research and development	228	449
Total operating expenses	9,248	9,384
Loss from operations	(574)	(2,508)
Other income (expense):		
Interest expense, net	(703)	(687)
Loss before income tax expense	(1,277)	(3,195)
Income tax expense	(5)	(8)
Net loss	\$ (1,282)	\$ (3,203)
Net loss per share:		
Basic and diluted	\$ (0.18)	\$ (0.45)
Shares used in calculation of net loss per share:		
Basic and diluted	7,303	7,071

CYANOTECH CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the fiscal years ended March 31, 2026 and 2025
(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balances as of April 1, 2024	6,947,246	\$ 139	\$ 34,576	\$ (22,901)	\$ 11,814
Issuances of common stock for Director					
Stock Grants	116,049	2	92	-	94
Issuances of common stock to Directors in lieu of cash for current year Board fees	26,492	1	19	-	20
Issuance of common stock to Directors in lieu of cash for prior year Board fees	53,333	1	39	-	40
Issuance of vested shares of restricted stock	90,956	1	(15)	-	(14)
Shares withheld for tax payments	(34,168)	-	-	-	-
Share-based compensation expense	-	-	133	-	133
Net loss	-	-	-	(3,203)	(3,203)
Balances as of March 31, 2025	7,199,908	144	34,844	(26,104)	8,884
Issuances of common stock for Director					
Stock Grants	150,000	3	39	-	42
Issuance of vested shares of restricted stock	66,406	1	(8)	-	(7)
Buyback of vested shares of common stock	(142,519)	(3)	(64)	-	(67)
Shares withheld for tax payments	(24,071)	-	(2)	-	(2)
Share-based compensation expense	-	-	92	-	92
Net loss	-	-	-	(1,282)	(1,282)
Balances as of March 31, 2026	<u>7,249,724</u>	<u>\$ 145</u>	<u>\$ 34,901</u>	<u>\$ (27,386)</u>	<u>\$ 7,660</u>

CYANOTECH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended March 31, 2026 and 2025
(In thousands)

	2026	2025
Cash flows from operating activities:		
Net loss	\$ (1,282)	\$ (3,203)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	1,339	1,479
Loss from sale of fixed assets	11	5
Amortization of debt issue costs and other assets	11	25
Amortization of operating leases right-of-use assets	546	400
Share-based compensation expense	134	247
Inventory write-downs	269	-
Provision for credit losses	-	5
Net (increase) decrease in assets:		
Accounts receivable	(1,294)	144
Inventories	1,183	(473)
Prepaid expenses and other assets	62	(79)
Net (decrease) increase in liabilities:		
Accounts payable	(514)	721
Accrued expenses	356	(2)
Customer deposits	(32)	(88)
Operating lease obligations	(555)	(374)
Net cash provided by (used in) operating activities	234	(1,193)
Cash flows from investing activities:		
Purchase of equipment and leasehold improvements	(142)	(247)
Net cash used in investing activities	(142)	(247)
Cash flows from financing activities:		
Payments on short-term debt – bank	(760)	(480)
Draws on line of credit – related party	1,600	1,750
Principal payments on term loan	(303)	(266)
Issuance of vested shares of restricted stock	(7)	-
Buyback of vested shares of common stock	(67)	-
Taxes paid related to net share of settlement of restricted stock units	(2)	(14)
Net cash provided by financing activities	461	990
Net change in cash	553	(450)
Cash at beginning of year	257	707
Cash at end of year	\$ 810	\$ 257
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 794	\$ 630
Income taxes	\$ 4	\$ 8
Noncash financing activities:		
Acquisition of equipment obtained from issuance of equipment loan	\$ 41	\$ -
Construction in progress invoiced but not yet paid	\$ 15	\$ -

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

1. Organization and Basis of Presentation

Cyanotech Corporation (the “Company”), located in Kailua-Kona, Hawaii, was incorporated in the state of Nevada on March 3, 1983 and is currently traded on the OTCID Market under the symbol “CYAN.” The Company is engaged in the production of natural products derived from microalgae for the dietary supplements market. During February 2026, the Company terminated registration of its common stock under Section 12(g) of the Securities Exchange Act of 1934 as further discussed at Note 10.

The Company is an agricultural company that produces high value natural products derived from microalgae grown in complex and intricate open-pond agricultural systems on the Kona coast of Hawaii. The Company's products include *Hawaiian Spirulina Pacifica*®, a superfood with numerous benefits, including boosting the immune system and overall cellular health; and *BioAstin*® *Hawaiian Astaxanthin*®, a powerful antioxidant shown to support and maintain the body's natural inflammatory response.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accompanying consolidated financial statements include the accounts of Cyanotech Corporation and its wholly owned subsidiary, Nutrex Hawaii, Inc. (“Nutrex Hawaii” or “Nutrex”). All intercompany balances and transactions have been eliminated in consolidation.

Liquidity and Going Concern

The accompanying consolidated financial statements, as of and for the years ended March 31, 2026 and 2025, have been prepared assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company sustained operating losses for these same periods along with a negative cash flow from operations in the prior period. Furthermore, as discussed below, the Company was not in compliance with one debt covenant requirement as of March 31, 2026 and two debt covenant requirements as of March 31, 2025. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expense that may be necessary if the Company was unable to continue as a going concern.

As of March 31, 2026, the Company had cash of \$810,000 and working capital of \$168,000 compared to \$257,000 and \$302,000, respectively, as of March 31, 2025. The Company had a term loan in the amount of \$1,480,000 with an original maturity date of August 30, 2024 (the “2023 Loan”) which was later extended to March 31, 2026. As of March 31, 2025, \$760,000 was outstanding on the 2023 Loan, which was paid in full during the fiscal year ended March 31, 2026.

The Company also has a loan facility with a related party that allows the Company to borrow up to \$4,600,000 on a revolving basis (the “Revolver”). As of March 31, 2026 and March 31, 2025, the Company had \$4,600,000 and \$3,000,000, respectively, of outstanding borrowings on the Revolver, which were included in line of credit – related party on the consolidated balance sheets. The Revolver was extended during the fiscal year ended March 31, 2026 to a maturity date of April 2027, and in June 2026 was further extended to a maturity date of April 2030 (see Note 5).

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

1. Organization and Basis of Presentation, continued

Liquidity and Going Concern, continued

The Company continues to experience a loss from operations and continues to rely on its funding source to provide liquidity. To address the resulting continued cash flow challenges, the Company continues to monitor cost savings initiatives which include stopping or slowing production of inventory in alignment with current customer demand throughout the year, maintaining a reduced headcount and compensation, primarily through attrition and furloughs, respectively, and eliminating certain discretionary selling, general and administrative and research and development expenses. The Company also completed a “going private” transaction during the fiscal year ended March 31, 2026, as discussed in Note 10, to further reduce ongoing professional fees included within operating expenses. The Company has made some additional changes in the sales and marketing team by hiring a Head of Sales to strengthen its eCommerce footprint, optimize the Company’s marketing efforts and improve its retail strategy.

Funds generated by operating activities and available cash are the Company’s most significant sources of liquidity for working capital requirements, debt service and funding of maintenance levels of capital expenditures. The Company has developed its operating plan to produce a significant portion of the cash flows necessary to meet all financial requirements, with the remaining need for capital raising. Although the Company has a history of either being in compliance with debt covenants, or obtaining the necessary waivers, execution of its operating plan is dependent on many factors, some of which are not within the control of the Company. However, no assurances can be provided that the Company will achieve its operating plan and cash flow projections within one year after the date that the consolidated financial statements are issued or its projected consolidated financial position as of March 31, 2027. Such estimates are subject to change based on future results and such change could cause future results to vary significantly from expected results.

2. Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of any contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods reported. Significant estimates made in the accompanying consolidated financial statements include, but are not limited to, estimates of sales returns and allowances and valuation of inventories. Management reviews these estimates and assumptions periodically and reflects the effect of revisions in the period that they are determined to be necessary. Actual results could differ from those estimates and assumptions.

Financial Instruments and Fair Value

The Company applies a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

2. Significant Accounting Policies, continued

Financial Instruments and Fair Value, continued

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value.

There were no financial assets or liabilities measured at fair value on a recurring basis as of March 31, 2026 and 2025.

Accounts Receivable, Accounts Payable, Accrued Expenses, and Customer Deposits - Due to the short-term nature of these instruments, management believes that the carrying amounts approximate fair value.

Line of Credit and Debt - The carrying amount of the line of credit – related party, long-term debt – related party, short-term debt – bank, and term loan approximates fair value as interest rates applied to the underlying debt are adjusted quarterly to market interest rates, which approximate current interest rates for similar debt instruments of comparable maturities.

Cash

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Management does not believe the Company is exposed to any significant credit risk related to its cash and has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not accrue interest. Credit is extended based on evaluation of the customer's financial condition. Collateral is not required. The allowance for credit losses reflects management's best estimate of expected credit losses inherent in the accounts receivable balance. Management determines the allowance based on historical experience, specifically identified nonpaying accounts and other currently available evidence. Management reviews its customer account balances monthly with a focus on significant individual past due balances over 90 days. All other balances are reviewed on a pooled basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers or otherwise. The opening accounts receivable balance as of April 1, 2024 was \$2,102,000.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is defined as estimated sales price less cost to dispose. Inventory costs include materials, labor, overhead and third-party costs. Management reviews and writes down inventory for known or expected inventory obsolescence based on product age and quality which may affect salability.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

2. Significant Accounting Policies, continued

Inventories, continued

The Company recognizes abnormal production costs, including fixed cost variances from normal production capacity, fixed production overhead costs, idle facilities, freight handling costs and spoilage, as an expense in the period incurred, without adjusting overhead absorption rates. Normal production capacity is defined as the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives for equipment and furniture and fixtures, and the shorter of the land lease term (see Notes 4 and 7) or estimated useful lives for leasehold improvements as follows (in years):

Equipment	3 to 10 years
Furniture and fixtures	3 to 7 years
Leasehold improvements	10 to 25 years

Capital project costs are accumulated in construction-in-progress until completed, at which time the costs are transferred to the relevant asset and commence depreciation. Repairs and maintenance costs are expensed in the period incurred. Repairs and maintenance that significantly increase the useful life or value of the asset are capitalized and depreciated over the remaining life of the asset. The Company capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life.

Operating Lease Right-of-Use Assets

Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are based on the present value of lease payments over the lease terms, using the Company's incremental borrowing rate based on the information available at recognition, and the Company has elected to exclude non-lease components.

Impairment of Long-Lived Assets

Management reviews long-lived assets, such as equipment, leasehold improvements and purchased intangibles subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent that the carrying amount exceeds the asset's fair value. Assets to be disposed of and related liabilities would be separately presented in the consolidated balance sheet. Assets to be disposed of would be reported at the lower of the carrying value or fair value less costs to sell and would not be depreciated. The Company recorded impairment of \$5,000 relating to equipment and leasehold improvements for the fiscal year ended March 31, 2025. The Company identified no impairment for the fiscal year ended March 31, 2026.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

2. Significant Accounting Policies, continued

Accounting for Asset Retirement Obligations

Management evaluates on a quarterly basis the potential liability for asset retirement obligations under the Company's lease for its principal facility and corporate headquarters. No liability has been recognized as of March 31, 2026 and 2025 (see Note 7).

Revenue Recognition

The Company records revenue based on the five-step model which includes: (1) identifying the contract with the customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations; and (5) recognizing revenue when the performance obligations are satisfied. Substantially all of the Company's revenue is generated by fulfilling orders for the purchase of its microalgal dietary supplements to retailers, wholesalers, or direct to consumers via online channels, with each order considered to be a distinct performance obligation. These orders may be formal purchase orders, verbal phone orders, e-mail orders or orders received online. Shipping and handling activities for which the Company is responsible under the terms and conditions of the order are not accounted for as performance obligations but as fulfillment costs. These activities are required to fulfill the Company's promise to transfer the goods and are expensed when revenue is recognized.

Revenue is measured as the net amount of consideration expected to be received in exchange for fulfilling a performance obligation. The Company has elected to exclude sales, use and similar taxes from the measurement of the transaction price. The amount of consideration expected to be received, and revenue recognized includes estimates of variable consideration, which includes costs for trade promotion programs, coupons, returns and early payment discounts. Such estimates are calculated using historical averages adjusted for any expected changes due to current business conditions and experience. The Company reviews and updates these estimates at the end of each reporting period and the impact of any adjustments are recognized in the period the adjustments are identified. In assessing whether collection of consideration from a customer is probable, the Company considers the customer's ability and intent to pay that amount of consideration when it is due. Payment of invoices is due as specified in the underlying customer agreement, typically 30 days from the invoice date, which occurs on the date of transfer of control of the products to the customer. Revenue is recognized at the point in time that control of the ordered products is transferred to the customer. Generally, this occurs when the product is delivered, or in some cases, picked up from one of the Company's distribution centers by the customer. Revenue from extraction services is recognized when control is transferred upon completion of the extraction process.

Customer contract liabilities consist of customer deposits received in advance of fulfilling an order and are shown separately on the consolidated balance sheets. During the fiscal years ended March 31, 2026 and 2025, the Company recognized \$44,000 and \$45,000, respectively, of revenue included in customer deposits as of March 31, 2025 and 2024, respectively. The opening deposits balance was \$108,000 as of April 1, 2024. The Company's contracts have a duration of one year or less and, therefore, the Company has elected the practical expedient of not disclosing revenues allocated to partially unsatisfied performance obligations.

Research and Development

Research and development costs are expensed as incurred and consist primarily of labor, benefits and outside research.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for the fiscal years ended March 31, 2026 and 2025 was \$1,673,000 and \$1,123,000, respectively.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

2. Significant Accounting Policies, continued

Income Taxes

Income taxes are accounted for under the asset and liability method. The asset and liability method require the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using income tax rates applicable to the period in which the tax difference is expected to reverse.

Judgment is required in determining any valuation allowance recorded against deferred tax assets, specifically net operating loss ("NOL") carryforwards, tax credit carryforwards and deductible temporary differences that may reduce taxable income in future periods. In assessing the need for a valuation allowance, the Company considers all available evidence including past operating results, estimates of future taxable income and tax planning opportunities. In the event the Company changes its determination as to the amount of deferred tax assets that can be realized, it will adjust its valuation allowance with a corresponding impact to income tax expense in the period in which such determination is made.

In evaluating a tax position for recognition, management evaluates whether it is more likely than not that a position will be sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the more likely than not recognition threshold, the tax position is measured and recognized in the Company's consolidated financial statements as the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized upon settlement. As of March 31, 2026 and 2025, there were no liabilities for income tax associated with unrecognized tax benefits.

The Company recognizes accrued interest related to unrecognized tax benefits as well as any related penalties in interest expense on its consolidated statements of operations. During the fiscal years ended March 31, 2026 and 2025, there were no accruals for the payment of interest and penalties related to uncertain tax positions.

Share-Based Compensation

The Company accounts for share-based payment arrangements using fair value. The Company currently has no liability-classified awards. Equity-classified awards, including grants of restricted stock, restricted stock units ("RSUs") and employee stock options, are measured at the grant-date fair value of the award and are not subsequently remeasured unless an award is modified. The cost of equity-classified awards is recognized in the consolidated statements of operations over the period during which an employee is required to provide the service in exchange for the award, or the vesting period. All stock-based compensation for restricted stock, RSUs and stock options has been classified as general and administrative expense in the consolidated statements of operations.

The Company utilizes the Black-Scholes option pricing model to determine the fair value of each option award. Expected volatilities are based on the historical volatility of the Company's common stock over a period consistent with that of the expected term of the options. The expected term of the options is estimated based on factors such as vesting periods, contractual expiration dates and historical exercise behavior. The risk-free rates for periods within the contractual life of the options are based on the yields of United States of America ("U.S.") Treasury instruments with terms comparable to the estimated option terms. The forfeiture rate of the options is estimated at the time of the grant and is based on historical forfeitures of similar grants. The fair value of RSUs is the closing stock price on the grant date.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

2. Significant Accounting Policies, continued

Recent Accounting Pronouncement

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosure* ("ASU 2023-09"), which enhances the transparency and decision usefulness of income tax disclosures. Adjustments to the annual disclosure of income taxes include: a tabular rate reconciliation comprised of eight specific categories; income taxes paid, disaggregated between significant federal, state, and foreign jurisdictions; eliminating requirements to disclose the nature and estimate of reasonably possible changes to unrecognized tax benefits in the next twelve months or that an estimated range cannot be made; and adds a requirement to disclose income (or loss) from continuing operations before income tax expense (or benefit) and income tax expense (or benefit) from continuing operations disaggregated between domestic and foreign. The Company adopted this standard as of April 1, 2025 on a prospective basis. See Note 14 for the Company's income tax disclosures.

3. Inventories

Inventories consisted of the following as of March 31:

	2026	2025
	(in thousands)	
Raw materials	\$ 540	\$ 567
Work in process	1,462	1,498
Finished goods	4,066	5,379
Supplies	268	344
Total inventories	\$ 6,336	\$ 7,788

The Company recorded inventory write-downs of \$269,000 relating to obsolete and damaged inventories for the fiscal year ended March 31, 2026. The Company recorded no write-downs relating to obsolete or damaged inventories for the fiscal year ended March 31, 2025.

4. Equipment and Leasehold Improvements, Net

Equipment and leasehold improvements, net consisted of the following as of March 31:

	2026	2025
	(in thousands)	
Equipment	\$ 22,194	\$ 21,972
Buildings and leasehold improvements	15,138	15,138
Furniture and fixtures	419	419
	37,751	37,529
Less: accumulated depreciation and amortization	(30,190)	(28,885)
Construction in progress	214	283
Total equipment and leasehold improvements, net	\$ 7,775	\$ 8,927

Depreciation and amortization expense was \$1,339,000 and \$1,479,000 for the fiscal years ended March 31, 2026 and 2025, respectively.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

5. Line of Credit and Debt

Short Term Debt - Bank

On June 3, 2016, the Company entered into a Credit Agreement with a bank after the necessary approvals from the State of Hawaii were received, to secure the lien on the Company's leasehold property in Kona, Hawaii. The Credit Agreement grants the bank the following security interests in the Company's property: (a) a lien on the Company's leasehold interest in its Kona facility; (b) an assignment of the Company's interest in leases and rents on its Kona facility; and (c) a security interest in all fixtures, furnishings and equipment related to or used by the Company at the Kona facility. Each security interest is further subject to the terms of the Credit Agreement.

On October 13, 2023, the bank converted a line of credit to the 2023 Loan in the amount of \$1,480,000, with no further advances or disbursements under this facility, with an original maturity of August 30, 2024. The original maturity date was extended on multiple occasions to expire March 31, 2026, with interest on the unpaid balance of the loan accruing at the Wall Street Journal prime rate plus 2%, floating. As of March 31, 2025, \$760,000 remained outstanding on the 2023 Loan which bore interest at 9.50%. As of March 31, 2026 the Company paid off the entirety of the loan balance.

Term Loan

In 2012, the Company executed a loan with a Bank (the "2012 Loan") providing for \$5,500,000 in aggregate borrowings secured by substantially all the Company's assets, including a mortgage on the Company's interest in its lease at the National Energy Laboratory of Hawaii Authority, pursuant to a Term Loan Agreement dated August 14, 2012. The 2012 Loan is evidenced by promissory notes in the amounts of \$2,250,000 and \$3,250,000, the repayment of which is partially guaranteed under the provisions of a United States Department of Agriculture ("USDA") Rural Development Guarantee program.

The proceeds of the 2012 Loan were used to acquire processing equipment and leasehold improvements at its Kona, Hawaii facility.

The provisions of the 2012 Loan required the payment of interest only for the first 12 months of the term; thereafter, and until its maturity on August 14, 2032, the obligation fully amortizes over nineteen years. Interest on the 2012 Loan accrues on the outstanding principal balance at an annual variable rate equal to the published Wall Street Journal prime rate (6.75% and 7.5% as of March 31, 2026 and 2025, respectively) plus 1.0% and is adjustable on the first day of each calendar quarter and fixed for that quarter, provided that at no time shall the annual interest rate be less than 5.5%. The balance under the 2012 Loan was \$2,654,000 and \$2,954,000 as of March 31, 2026 and 2025, respectively.

The 2012 Loan included a one-time origination and guaranty fees totaling \$214,500 and an annual renewal fee payable in the amount of 0.25% of the USDA guaranteed portion of the outstanding principal balance as of December 31 of each year, beginning December 31, 2012. The USDA guaranteed 80% of all amounts owing under the 2012 Loan. The balance in unamortized debt issuance costs was \$57,000 and \$68,000 as of March 31, 2026 and 2025, respectively and is netted against the term loan on the consolidated balance sheets.

Included within the term loan is an equipment loan which has a balance of \$38,000 as of March 31, 2026.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

5. Line of Credit and Debt, continued

Loan Covenants, Violations, and Waiver

The Company's 2012 Loan is subject to annual debt service and other financial covenants, including covenants which require the Company to meet key financial ratios and customary affirmative and negative covenants. As of March 31, 2026, the Company was not in compliance with a certain financial covenant. In June 2026, the bank issued a letter waiving the covenant violation as of March 31, 2026, but there can be no assurance that the bank will provide such a waiver and may declare a default if any covenants remain out of compliance at applicable measurement dates.

Although the 2012 Loan matures in August 2032, it is probable that a debt covenant violation occurs within the next twelve months. Therefore, the 2012 Loan and related unamortized debt issuance costs are classified as current on the consolidated balance sheets as of March 31, 2026 and 2025.

Line of Credit and Long-Term Debt – Related Party

The Company had a \$2,000,000 revolving line of credit ("Revolver") which was set to mature during April 2025. During August 2024, the Company entered into an amendment to increase the Revolver to \$4,000,000 and extend the maturity date to April 2026. During May 2025, the Revolver was amended to allow the Company to pay common stock at a per share value of \$1.00 in lieu of cash for interest accrued during the fiscal year ended March 31, 2026. No common stock was issued in lieu of cash for accrued interest during the fiscal year ended March 31, 2026. During August 2025, the Company further amended the Revolver to increase the amount to \$4,600,000 and extend the maturity date to April 2027. Interest is payable quarterly at an annual variable rate equal to the published Wall Street Journal prime rate (6.75% and 7.50% as of March 31, 2026 and March 31, 2025, respectively) plus 1.0% and is adjustable on the first day of each calendar quarter and remains fixed for the remainder of that quarter. The interest rate holds a floor of 5%. The amount outstanding on the Revolver was \$4,600,000 and \$3,000,000 as of March 31, 2026 and 2025, respectively.

The Company has a \$1,000,000 loan ("Skywords Note") that had a maturity of April 2025. In August 2024, the Company amended the Skywords Note to extend its maturity date to April 2027 and granted a security interest in substantially all of its personal property assets to secure both the Skywords Note and the Revolver discussed above. The interest is subordinated to the Company's debt with the bank which holds a first-priority lien on such personal property assets. During May 2025, the Skywords Note was further amended to allow the Company to pay common stock at a per share value of \$1.00 in lieu of cash for interest accrued during the fiscal year ended March 31, 2026. No common stock was issued in lieu of cash for accrued interest during the fiscal year ended March 31, 2026. The Skywords Note holds the same interest terms as the Revolver, including the option to pay common stock in lieu of cash. The outstanding balance of the Skywords Note was \$1,000,000 as of March 31, 2026 and 2025.

Long-term debt is payable as follows as of March 31, 2026:

	(in thousands)
Fiscal year ending March 31:	
2027	\$ 2,692
2028	1,000
Total principal payments	\$ 3,692

In June 2026, the Company extended the maturity date of both the Skywords Note and Revolver from April 2027 to April 2030.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

6. Accrued Expenses

Accrued expenses consisted of the following as of March 31:

	2026	2025
	(in thousands)	
Wages	\$ 247	\$ 270
Vacation	315	355
Related-party interest	420	-
Interest and legal	-	22
Other accrued expenses	104	68
Total accrued expenses	\$ 1,086	\$ 715

7. Operating Leases

The Company leases two properties under a 40-year commercial lease expiring in 2035 and a 19-year commercial lease expiring in 2037. Under the terms of the existing leases, the Company could be required to remove improvements at the end of the lease terms. Under U.S. GAAP, an entity should recognize the fair value of a liability for an asset retirement obligation in the period in which the retirement obligation is incurred, if a reasonable estimate of fair value can be made. If such an estimate cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when the fair value can be reasonably estimated. Based on communications, management does not believe the projected cost for such removal to be material to the consolidated financial statements, or likely, given historical practices. However, conditions could change in the future. It is not possible to predict such changes or estimate any impact thereof.

The Company leases facilities, equipment, and land under non-cancelable operating leases expiring through 2037. The Company also leases two 84-month solar leases for two of its buildings and a 48-month lease for equipment. One of its facility leases contains price escalations and a renewal option for five years. The land lease provides for contingent rentals in excess of minimum rental commitments based on a percentage of the Company's sales. For fiscal years ended March 31, 2026 and 2025, there were no contingent rental payments.

As of March 31, 2026, future minimum payment under operating leases are as follows:

	(in thousands)	
Year ending March 31:		
2027	\$	826
2028		711
2029		443
2030		364
2031		364
Thereafter		1,761
Total minimum lease payments		4,469
Less: Imputed interest		(1,106)
Total lease liabilities		3,363
Less: current maturities		(601)
Lease liabilities, less current maturities	\$	2,762

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

7. Operating Leases, continued

Additional information related to the Company's operating lease balances includes the following as of and for the fiscal year ended March 31, 2026:

	2026	2025
	<i>(in thousands)</i>	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 821	\$ 814
Weighted-average remaining lease term (in years)	7.96	8.60
Weighted-average discount rate	7.40%	7.40%

Rent expense, including contingent rent, under operating leases was \$853,000 and \$888,000 for the fiscal years ended March 31, 2026 and 2025, respectively.

8. Other Commitments and Contingencies

From time to time, the Company may be involved in litigation and investigations relating to claims and matters arising out of its operations in the normal course of business. There were no significant legal matters outstanding as of March 31, 2026.

As of March 31, 2026 and 2025, the Company had purchase obligations of \$1,341,000 and \$1,215,000, respectively, including agreements to purchase goods or services that are enforceable, are legally binding and specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The term of the minimum purchase agreement is for ten years, expiring in June 2034 and purchase obligations do not include agreements that are cancelable without penalty.

9. Share-Based Compensation

As of March 31, 2026, the Company had two equity-based compensation plans: the 2016 Equity Incentive Plan (the "2016 Plan") and the 2024 Independent Director Stock Option and Restricted Stock Grant Plan (the "2024 Directors Plan"). These plans allow the Company to award stock options, RSUs and shares of restricted common stock to eligible employees, certain outside consultants and independent directors. The Company has also issued stock options, which remain outstanding as of March 31, 2026, under the 2014 Independent Director Stock Option and Restricted Stock Grant Plan and Amendment (the "2014 Directors Plan"), an equity-based compensation plan which expired in accordance with its terms on August 22, 2024. This plan allowed the Company to award stock options and shares of restricted common stock to independent directors.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

9. Share-Based Compensation, continued

The following table presents shares authorized, available for future grant and outstanding under each of the Company's equity-based compensation plans:

	As of March 31, 2026		
	Authorized	Available	Outstanding
2016 Plan	1,300,000	93,062	801,075
2024 Directors Plan	800,000	454,126	-
2014 Directors Plan	-	-	6,000
Total	2,100,000	547,188	807,075

Stock Options

All stock option grants made under the equity-based compensation plans were issued at exercise prices no less than the Company's closing stock price on the date of grant. Stock options under the 2016 Plan, 2024 Directors Plan and 2014 Directors Plan (together, the "Stock Plans") were determined by the Board of Directors or the Compensation Committee of the Board of Directors in accordance with the provisions of the respective plans. The terms of each stock option grant include vesting, exercise, and other conditions are set forth in a Stock Option Agreement evidencing each grant. No stock option can have a life in excess of ten years. The Company records compensation expense for employee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes option pricing model. The model requires various assumptions, including a risk-free interest rate, the expected term of the stock options, the expected stock price volatility over the expected term of the stock options, and the expected dividend yield. Compensation expense for employee stock options is recognized ratably over the vesting term. Compensation expense recognized for options issued under the Stock Plans was \$40,000 and \$54,000 for the fiscal years ended March 31, 2026 and 2025, respectively.

A summary of option activity under the Stock Plans for the fiscal years ended March 31, 2026 and 2025 is presented below:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)
Option activity:			
Outstanding as of April 1, 2024	297,000	\$ 2.47	7.1
Granted	50,000	0.78	
Expired	(25,000)	2.57	
Outstanding as of March 31, 2025	322,000	2.20	6.7
Granted	475,000	0.34	
Expired	(56,000)	1.33	
Outstanding as of March 31, 2026	741,000	1.07	7.8
Exercisable as of March 31, 2026	249,333	2.49	5.2
Vested and expected to vest as of March 31, 2026	665,000	\$ 1.16	7.7

No stock options were exercised during fiscal year 2026 or 2025.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

9. Share-Based Compensation, continued

Stock Options, continued

The total grant-date fair value of stock options granted during fiscal years 2026 and 2025 was \$89,000 and \$8,000, respectively. The total grant-date fair value of stock options that vested during fiscal years 2026 and 2025 were \$40,000 and \$96,000, respectively.

The range of fair value assumptions and other information related to options granted during the fiscal years ended March 31, 2026 and 2025 were as follows:

	September 2025 Grants	June 2025 Grants	May 2025 Grants	September 2024 Grants
Exercise price	\$ 0.30	\$ 0.39	\$ 0.32	\$ 0.78
Volatility	58%	54%	58%	0%
Risk-free rate	4.06%	4.12%	4.15%	3.58%
Vesting period (in years)	3.0	3.0	3.0	3.0
Forfeiture rate	0%	16%	16%	0%
Expected term (in years)	6.0	6.0	6.0	6.0
Dividend rate	0%	0%	0%	0%

Total unrecognized stock-based compensation expense related to all unvested stock options was \$97,000 and \$35,000 as of March 31, 2026 and 2025, respectively, which is expected to be expensed over a weighted-average period of 2.0 years and 1.7 years, respectively.

Restricted Stock

Grants of fully vested restricted stock issued to non-employee directors during fiscal years 2026 and 2025 were 150,000 and 116,049 shares, respectively. Compensation expense recognized for fully vested restricted stock grants issued under the 2024 Directors Plan was \$42,000 and \$94,000 for the fiscal years ended March 31, 2026 and 2025, respectively.

To reduce the Company's ongoing cash expenses, the Nominating and Corporate Governance Committee of the Board of Directors adopted a resolution allowing each director to elect to receive his or her quarterly director fees in the form of restricted stock in lieu of cash. One Board member elected to receive shares of restricted stock in lieu of cash for prior and current year's quarterly board fees and on September 10, 2024, a total of 66,667 shares of fully vested restricted stock were issued. One Board member elected to receive shares of restricted stock in lieu of cash for the second quarter of fiscal 2025 and on October 1, 2024, 13,158 shares of fully vested restricted stock were issued. Compensation expense related to these prior year's quarterly Board fees were recognized in fiscal year ended March 31, 2025 in the amount of \$20,000. There was no compensation expense relating to the current year's quarterly Board fees during fiscal year ended March 31, 2026.

CYANOTECH CORPORATION
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March 31, 2026 and 2025

9. Share-Based Compensation, continued

Restricted Stock Units

RSUs are service-based awards granted to eligible employees under our 2016 Plan. RSUs represents a right to one share of the Company's common stock upon vesting. The RSUs are not entitled to voting rights until vested and generally vest over a one-to three-year period, subject to the employees' continued employment with the Company on each vesting date. The fair value of RSUs is based on the closing price of the Company's common stock on the date of the grant and is amortized to share-based compensation expense over the estimated life of the award, generally the vesting period. Compensation expense recognized for RSUs issued under the 2016 Plan was \$52,000 and \$79,000 for the fiscal years ended March 31, 2026 and 2025, respectively.

The following table summarizes information related to awarded RSUs:

	Shares	Weighted-Average Grant Price
Nonvested RSUs:		
Nonvested RSUs as of April 1, 2024	130,820	\$ 1.23
Vested	(90,956)	1.00
Forfeited	<u>(22,226)</u>	<u>0.93</u>
Nonvested RSUs as of March 31, 2025	17,638	\$ 2.76
Granted	115,625	0.40
Vested	(66,406)	1.02
Forfeited	<u>(782)</u>	<u>0.53</u>
Nonvested RSUs as of March 31, 2026	<u>66,075</u>	\$ 0.40

Total unrecognized stock-based compensation expense related to the unvested RSUs was \$19,000 and \$25,000 as of March 31, 2026 and 2025, respectively. The unvested RSUs are expected to be expensed over a weighted-average period of 2.1 years and 0.4 years as of March 31, 2026 and 2025, respectively.

10. Common, Preferred Stock, and Stockholders' Equity

The Company has authorized a total of 60 million shares, of which 50 million shares are authorized common stock and 10 million shares are authorized preferred stock. None of the preferred stock was issued or outstanding as of March 31, 2026 and 2025. Under the terms of the Company's Amended and Restated Articles of Incorporation, the Board of Directors is authorized to determine or alter the rights, preferences, privileges and restrictions of the Company's authorized but unissued shares of preferred stock.

During February 2026, the Company completed a "going private" transaction with the U.S. Securities and Exchange Commission. As part of the transaction the Company reduced the number of common stock holders to fewer than 300 shareholders in order to permit the Company to terminate registration of its common stock under Section 12(g) of the Securities Exchange Act of 1934.

CYANOTECH CORPORATION
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March 31, 2026 and 2025

10. Common, Preferred Stock, and Stockholders' Equity, continued

In order to reduce Company shareholders, the Company implemented a 400-for-1 reverse stock split. Stockholders that would result in a fractional share after the reverse stock split received a cash payment of \$0.47 per pre-reverse-split share. The transaction resulted in the Company purchasing 142,519 shares of common stock from existing stockholders for the amount of \$67,000. Immediately after the reverse split, the Company implemented a 1-for-400 forward split for the remaining stockholders. The Company incurred legal and transfer and exchange agent fees of approximately \$141,000 relating to the "going private" transaction which were classified within general and administrative operating expenses in the consolidated statement of operations for the fiscal year ended March 31, 2026.

11. Loss Per Share

Basic loss per share is computed on the basis of the weighted average number of common shares outstanding. Diluted loss per share is computed on the basis of the weighted average of common shares outstanding plus the potentially dilutive effect of outstanding stock options and unvested RSUs using the treasury stock method.

Reconciliations between the numerator and the denominator of the basic and diluted loss per share computations for the fiscal years ended March 31, 2026 and 2025 are as follows:

	Net Loss (Numerator)	Shares (Denominator)	Per Share Amount
(in thousands, except per share amounts)			
Year ended March 31, 2026:			
Basic and diluted loss per share	\$ (1,282)	7,303	\$ (0.18)
Year ended March 31, 2025:			
Basic and diluted loss per share	\$ (3,203)	7,071	\$ (0.45)

Basic and diluted per share amounts are the same in periods of a net loss because common share equivalents are anti-dilutive when a net loss is recorded. RSUs become dilutive within the period granted and remain dilutive until the units vest and are then included in the calculation of basic earnings per share.

12. Profit Sharing and 401(k) Plan

The Company sponsors a profit sharing plan for all employees not covered under a separate management incentive plan. Under the profit sharing plan, a percentage determined by the Board of Directors of pre-tax profits on a quarterly basis may be allocated to non-management employees at management's discretion. The profit sharing bonus may be distributed all in cash on an after-tax basis or distributed half in cash (on an after-tax basis) and the remainder deposited in an employee's 401(k) account on a pre-tax basis. Employees may also make voluntary pre-tax contributions to their 401(k) accounts. There was no compensation expense under this plan for the fiscal years ended March 31, 2026 or 2025. Additionally, the Company has the discretion to make a retirement contribution to all employees' individual 401(k) accounts equal to 2% of each employee's base pay for each bi-weekly pay period on a pre-tax basis. There was no retirement expense under this plan for the fiscal year ended March 31, 2026. Retirement expense under this plan was approximately \$6,000 for the fiscal year ended March 31, 2025.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

13. Segment Reporting, Product Line, and Geographic Information

Segment Reporting

Operating segments are identified as components of an entity about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company determined that based on the regularly reviewed and provided financial package to its Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”), that the CEO and CFO together are its singular Chief Operating Decision Maker. Additionally, the Company determined that due to its sole focus on the cultivation and production of microalgal products, the Company views its operations and manages its business as one operating and reportable segment focused on the manufacture and distribution of natural products derived from microalgae, astaxanthin and spirulina.

The CEO and CFO together, are the chief operating decision maker (the “CODM”) and manages the business based on consolidated financial results and use consolidated net income or loss, including significant operating expenses, for the purpose of assessing performance, allocating resources across departments and making operating decisions.

The CODM uses consolidated income (loss) from operations and operating expenses to monitor actual results versus budget and prior year’s results, which facilitates the assessment of the Company’s performance in line with the Company’s strategic goals. Monitoring of budget versus actual results are used in assessing performance of the segment and in establishing management’s compensation.

All revenue, operating expenses and assets attributed to this one segment are reflected in the consolidated financial statements. The Company’s significant segment expenses align with the categories on the consolidated statements of operations. The measure of segment assets is reported on the consolidated balance sheets as total consolidated assets. All segment long-lived assets are located in the U.S.

Disaggregation of Revenue by Product Line

The following table represents revenue disaggregated by major product line and extraction services for the fiscal years ended March 31:

	2026	2025
	(in thousands)	
Packaged sales:		
Astaxanthin packaged	\$ 13,311	\$ 13,145
Spirulina packaged	5,079	5,223
Total packaged sales	18,390	18,368
Bulk sales		
Astaxanthin bulk	5,579	2,593
Spirulina bulk	2,368	2,405
Total bulk sales	7,947	4,998
Contract extraction and R&D services revenue	250	849
Total net sales	\$ 26,587	\$ 24,215

Cost of sales for contract extraction and R&D services for the fiscal years ended March 31, 2026 and 2025 were \$103,000 and \$634,000, respectively.

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March 31, 2026 and 2025

13. Segment Reporting, Product Line, and Geographic Information, continued

Geographic Information

Net sales by geographic region were as follows for the fiscal years ended March 31:

	<u>2026</u>		<u>2025</u>	
Net sales:				
United States	\$ 18,356	69%	\$ 19,051	79%
Asia / Pacific	4,265	16%	1,061	4%
Europe	2,321	9%	2,638	11%
Other	<u>1,645</u>	<u>6%</u>	<u>1,465</u>	<u>6%</u>
Total net sales	<u>\$ 26,587</u>	<u>100%</u>	<u>\$ 24,215</u>	<u>100%</u>

14. Income Taxes

Loss before income taxes were as follows for the fiscal years ended March 31:

	<u>2026</u>	<u>2025</u>
	(in thousands)	
Domestic	<u>\$ (1,277)</u>	<u>\$ (3,195)</u>
Loss before income taxes	<u>\$ (1,277)</u>	<u>\$ (3,195)</u>

Income tax expenses consisted of the following for the fiscal years ended March 31:

	<u>2026</u>	<u>2025</u>
	(in thousands)	
Current:		
State	<u>\$ 5</u>	<u>\$ 8</u>
Income tax expense	<u>\$ 5</u>	<u>\$ 8</u>

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

14. Income Taxes, continued

A reconciliation of the federal statutory income tax rate to the effective income tax rate subsequent to the adoption of ASU 2023-09 is as follows for the fiscal year ended March 31, 2026:

	<u>2026</u> (in thousands)	<u>Percent</u>
Federal tax at statutory rate	\$ (268)	21%
State and local income taxes, net of federal income tax effect ⁽¹⁾	4	-0.29%
Change in valuation allowance	235	-18.38%
Nontaxable or nondeductible items:		
Stock-based compensation	21	-1.62%
Other nondeductible items	2	-0.14%
Other adjustments	<u>11</u>	<u>-0.97%</u>
Income tax expense and effective tax rate	<u>\$ 5</u>	<u>-0.40%</u>

⁽¹⁾ State taxes in Hawaii made up the majority of the tax effect in this category.

Supplemental cash flow information related to income taxes paid (net of refunds received) is as follows for the fiscal year ended March 31, 2026:

	<u>2026</u> (in thousands)
State and local	<u>\$ 4</u>
Total cash paid for income taxes	<u>\$ 4</u>

A reconciliation of the federal statutory income tax rate to the effective income tax rate prepared under the disclosure requirements prior to the adoption of ASU 2023-09 is as follows for the fiscal year ended March 31, 2025:

	<u>2025</u> (in thousands)
Tax provision at federal statutory income tax rate	\$ (866)
Stock-based compensation	30
Increase in valuation allowance	814
State and local income taxes, net of federal tax benefit	6
Deferred tax true-up	11
Other, net	<u>13</u>
Income tax expense	<u>\$ 8</u>

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

14. Income Taxes, continued

The tax effects of temporary differences related to various assets, liabilities and carryforwards that give rise to deferred tax assets and deferred tax liabilities as of March 31, 2026 and 2025 are as follows:

	2026	2025
	(in thousands)	
Deferred tax assets:		
NOL carry forwards	\$ 5,695	\$ 5,054
Operating lease obligations	891	1,062
Section 174 Costs	171	246
Inventory	109	107
Compensation accrual	84	83
Tax credit carry forwards	18	20
Interest limitation	-	433
Stock-based compensation	6	-
Other	3	11
Gross deferred tax assets	6,977	7,016
Less: valuation allowance	(5,487)	(5,208)
Net deferred tax assets	1,490	1,808
Deferred tax liabilities:		
Operating lease right-of-use assets	(889)	(1,058)
Fixed asset basis differences	(601)	(750)
Net deferred tax liabilities	(1,490)	(1,808)
Net deferred tax assets (liabilities)	\$ -	\$ -

In assessing the valuation allowance for deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Ultimately, the realization of deferred tax assets will depend on the existence of future taxable income during the periods. In making this assessment, management considers past operating results, the scheduled reversal of deferred tax liabilities, estimates of future taxable income and tax planning strategies.

As of March 31, 2026 and 2025, the Company has concluded that a valuation allowance was appropriate in light of the significant negative evidence, which was objective and verifiable and primarily due to the cumulative losses in recent years.

While the Company's long-term financial outlook remains positive, the Company concluded that its ability to rely on its long-term outlook as to future taxable income was limited due to the relative weight of the negative evidence from its recent cumulative losses. The Company's conclusion regarding the need for a valuation allowance against its deferred tax assets could change in the future based on improvements in operating performance, which may result in the full or partial reversal of the valuation allowance.

CYANOTECH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2026 and 2025

14. Income Taxes, continued

As of March 31, 2026, the Company has federal NOL carryforwards of \$21,733,000, of which \$7,044,000 were generated prior to the 2018 tax year, have a 20-year carryforward, are available to offset 100% of taxable income, and begin to expire in 2027. The remaining \$14,689,000 of the losses were generated in tax years 2018 or later, which have an unlimited carryforward and are limited to 80% of taxable income. As of March 31, 2026, the Company had state NOL carryforwards available to offset future California and Hawaii state taxable income of \$6,265,000 and \$12,752,000, respectively. These carryforwards expire March 31, 2030 through 2045. As of March 31, 2026, the Company also had \$1,215,000 of NOL carryforwards between the remaining states that it files in.

Internal Revenue Code Section 382 imposes limitations on the use of NOL carryforwards when the stock ownership of one or more 5% shareholders (shareholders owning 5% or more of the Company's outstanding capital stock) increases, on a cumulative basis, by more than 50 percentage points. Management cannot control ownership changes that may occur. Accordingly, there is a risk of an ownership change beyond the control of the Company that could trigger a limitation of the use of the loss carryforwards. The Company has not completed an analysis of whether an ownership change has occurred under Section 382, which, if it did occur, could substantially limit its ability to utilize its NOLs and other tax carryforwards in the future.

As of March 31, 2026, the Company has federal tax credit carryforwards of approximately \$18,000, which start to expire in 2028.

As of March 31, 2026 and 2025, there were no liabilities for income tax associated with unrecognized tax benefits. The Company recognizes accrued interest related to unrecognized tax benefits as well as any related penalties in interest expense in its consolidated statements of operations. During the fiscal years ended March 31, 2026 and 2025, there were no accruals for the payment of interest and penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. All tax returns will generally remain open for examination by federal and Hawaii state taxing authorities for three years, and by California state taxing authorities for four years, from the date of utilization of any NOL carryforwards or tax credits. The Company is not currently under examination by federal or state income tax authorities.

15. Concentration Risk

Cash

The Company maintains its cash accounts in banks located in Hawaii, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank. The Company had cash bank balances as of March 31, 2026 that exceeded the balance insured by the FDIC by \$484,000. The Company had no cash bank balances that exceeded the balance insured by the FDIC as of March 31, 2025.

Customers

A significant portion of net sales and accounts receivables are derived from a few major customers. For the fiscal year ended March 31, 2026, three customers combined accounted for 48% of the Company's net sales. For the fiscal year ended March 31, 2025, two customers accounted for 41% of the Company's net sales. Two customers accounted for 53% and 61% of the Company's accounts receivable balance as of March 31, 2026 and 2025, respectively.

CYANOTECH CORPORATION
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March 31, 2026 and 2025

15. Concentration Risk, continued

Vendors

Amounts due to three vendors represented 38% and 36% of accounts payable as of March 31, 2026 and 2025, respectively. No purchase concentrations existed for the fiscal years ended March 31, 2026 and 2025.

16. Subsequent Events

The Company evaluated subsequent events for recognition and disclosure through June 29, 2026, the date on which these consolidated financial statements were available to be issued. Management concluded that no material subsequent events, other than the extension of the Skywords Note and Revolver from April 2027 to April 2030 and the June 2026 waiver of covenant violation as discussed in Note 5, have occurred since March 31, 2026 that require recognition or disclosure in these consolidated financial statements.