Audit Committee Charter

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of Insteel Industries, Inc. (the "Company") and shall report to and assist the Board by overseeing the financial management and financial reporting procedures of the Company, and appointing independent auditors ("auditors") as well as other matters as directed by the Board, this Charter and Federal law.

Composition

The Committee shall consist of a minimum of three members of the Board all of whom shall satisfy the independence requirement of the current listing organization, exchange or other regulatory authority applicable to audit committee members. All members shall have sufficient financial experience and knowledge to enable them to discharge their responsibilities. At least one Committee member shall be a "financial expert" as defined by the current listing organization, exchange or other applicable regulatory authority and shall be so designated by the Board of Directors.

Meetings

The Committee shall meet at least twice per year with the auditors to discuss the annual audit plan and the results of same. In addition, the Committee shall meet after the end of each quarter and before the issuance of the Company's earnings release and filing of its 10-Q to discuss the auditors' review of the financial information contained in the these reports. Meetings may be conducted telephonically.

Authority and Responsibilities

In carrying out its oversight responsibilities, the Committee shall perform the following functions:

1. Review and evaluate the performance of the auditors, who are ultimately accountable to the Committee, and appoint or replace them as circumstances warrant.
2. Review with the Company's management, auditors, and internal auditor the Company's policies and procedures to reasonably ensure the adequacy of internal accounting and financial reporting controls. Review with the Company's management, auditors, and internal auditor the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures.
3. Be familiar with the accounting and reporting principles applied by the Company in preparing its financial statements. Review and discuss with management and the auditors the accounting policies which may be viewed as critical and review and discuss any significant changes in the accounting policies of the company which may have a significant impact on the Company's financial reports.
4. Review with the auditors, prior to the audit, the planning and staffing of the audit, including the auditors' engagement letter, and approve the fees to be paid to the auditors. The Committee's review should entail an understanding from the auditors of the factors considered by the auditors in determining the audit scope.
5. Review with management the audit and non-audit services planned to be provided by the auditors, in relation to the objectivity needed in the audit and pre-approve all audit and non-audit services as required by regulatory agencies. The Committee will not approve any non-audit services which are specifically forbidden by Section 202 of The Sarbanes-Oxley Act of 2002. The Committee will ensure that disclosure of such pre-approval is made in the appropriate periodic report to investors.
6. Prior to filing of the Company's Annual Report on Form 10-K, review the Company's annual audited financial statements with management and the auditors, with emphasis on (i) major issues regarding accounting and auditing principles and practices, including any changes in such principles during the year, (ii) significant financial reporting issues and judgments that arose or were made in connection with the preparation of the audited financial statements, including any adjustments proposed by the auditors and (iii) significant transactions not a normal part of the Company's operations.
7. Review with the auditors the matters required to be discussed by Statement on Auditing Standards No. 114 relating to the conduct of the audit, any problems or difficulties the auditors may have encountered (including any restrictions on the scope of activities or access to required information) and any management letter provided by the auditors and the Company's response to that letter.
8. Evaluate the cooperation received by the auditors during their audit examination. Also, elicit the comments of management regarding the responsiveness of the auditors to the company's future needs. Inquire of the auditors

whether there have been any disagreements with management which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Company's financial statements.

9. Discuss with the auditors the quality of the Company's financial and accounting personnel and review feedback with the Chief Financial Officer prior to reporting to the Board. Inquire whether management's choices of accounting principles are conservative, moderate, or aggressive and whether those principles are common or unusual practices. Review written responses of management to any management letters or recommendations from the auditors.
10. Prior to releasing any financial statements or comparable information to the public (including any earnings releases) or submitting financial statements or related financial information to the SEC, including financial statements and financial information such as Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K, review the financial statements and related financial information with management and the auditors to determine that management and the auditors are satisfied with the disclosures and content. The Chairman of the Committee may represent the entire Committee where time does not permit the review of interim financial information by the full Committee.
11. Evaluate the independence of the outside auditors by periodically obtaining a formal written statement from the auditors delineating all relationships between the auditors and the Company and any other relationship that may adversely affect the independence of the auditors, discuss the impact on auditor objectivity and independence and recommend appropriate Board action in response to the auditor's written statement to satisfy the Committee as to the auditors' independence.
12. At least annually obtain and review a report by the auditor describing the firm's internal control procedures, any material issues raised by the most recent internal quality control report or peer review of the firm, and any inquiry or investigation by governmental or professional authorities within the past five years regarding one or more independent audits carried out by the firm and any steps taken to deal with any such issues.
13. Review and discuss with management and the auditors any material non-financial arrangements of the Company that do not appear on the financial statements of the Company. Review and discuss with management and the auditors any transaction or series of transactions dealing with related parties that are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties. With respect to related-party transactions that involve a member of the Board of Directors, discuss with the Board, at least annually, whether the transaction or transactions affect the independence of the Director.
14. Annually prepare a report to shareholders as required by the Securities and Exchange Commission for inclusion in the Company's annual proxy statement.
15. Review with the internal auditor the annual internal audit plan and quarterly update reports regarding internal audit activities, and review significant reports to management prepared by the internal auditing department and management's responses.
16. Maintain minutes of meetings and periodically report to the Board on significant results of Committee activities.
17. Establish and maintain a confidential and anonymous communications channel for employees to report concerns regarding questionable accounting, auditing, or management practices. Periodically communicate to all employees the existence and anonymity of such communication channel and procedures established.
18. Review the Audit Committee Charter on an annual basis and recommend to the Board any modifications to the Charter that the Committee deems appropriate for the approval of the Board.
19. Review periodically with the Company's general counsel legal and regulatory matters that may have a material impact on the Company's financial statement compliance policies and programs.
20. Establish procedures to receive and follow up on complaints regarding accounting, internal accounting controls or auditing matters.

Scope of Responsibilities

The Company's management is responsible for preparing the Company's financial statements and the auditors are responsible for auditing those financial statements. The Committee is responsible for overseeing the conduct of these activities by the Company's management and the auditors and not to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. In carrying out its oversight responsibilities the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the auditors' work. The Committee is empowered, at Company expense, to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities and may request any officer or employee of the Company, the auditors, or the Company's outside counsel to meet with any members of, or consultants to, the Committee.