

# **DYNAMIC MATERIALS CORPORATION**

## **Charter of the Audit Committee**

### **Status**

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Dynamic Materials Corporation (the “Company”).

### **Membership**

The Committee shall be comprised of three or more members of the Board, all of whom, in the judgment of the Board shall be independent in accordance with the listing standards of The Nasdaq Stock Market and capable of reading and understanding fundamental financial statements. At least one member of the Committee shall in the judgment of the Board be an audit committee financial expert in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and at least one member (who may also serve as the audit committee financial expert) shall in the judgment of the Board have accounting or related financial management expertise in accordance with the listing standards of The Nasdaq Stock Market. In addition, Committee members will satisfy any additional requirements mandated by the rules and regulations of the SEC or the listing standards of The Nasdaq Stock Market. The Committee will review its membership annually for compliance with the above requirements and provide a certification to the Board that each of its members complies with the foregoing requirements. The members of the Committee and its Chairman will be appointed by and serve at the discretion of the Board.

### **Purpose**

The purpose of the Committee shall be to make such examinations as are necessary to monitor the corporate financial reporting and the internal and external audits of the financial statements of the Company; to provide to the Board the results of its examinations and recommendations derived therefrom; to nominate independent auditors and to assist the Board in oversight and monitoring of (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications, independence and performance, and (iv) the Company’s internal accounting and financial controls; to prepare the Committee report that the rules of the SEC require be included in the Company’s annual proxy statement; to provide such additional information and materials as it may deem necessary to make the Board aware of significant financial matters which require the Board’s attention; and to undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe, or as may be required by law from time to time. The Board and management shall ensure that the Committee has adequate funding and other resources and authority to discharge its responsibilities as determined by the Committee.

## **Duties and Responsibilities**

The operation of the Committee shall be subject to the Bylaws of the Company, as in effect from time to time, and Section 141 of the Delaware General Corporation Law. The Committee shall be obligated, and shall have the full power and authority, to carry out the following responsibilities:

1. To receive a formal written statement from the Company's independent auditors delineating all relationships between the auditors and the Company and, to the extent there are relationships, monitor and investigate them, including actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and presenting such information to the Board;
2. To appoint and compensate the independent auditors and oversee their work (including resolving disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Committee is empowered, without further action of the Board, to cause the Company to pay the compensation of the independent auditors established by the Committee;
3. To pre-approve all audit services provided to the Company by the independent auditors; in this regard, the Committee shall have the sole authority to approve the hiring and firing of the independent auditors, all audit engagement fees and terms and all non-audit engagements, as may be permitted under applicable SEC rules or applicable laws, with the independent auditors;
4. To pre-approve non-audit services provided to the Company by the independent auditors (or subsequently approving non-audit services in those circumstances where a subsequent approval is necessary and permissible). In this regard the Committee shall have the authority to appoint a subcommittee of one or more members of the Committee and/or to pre-approve non-audit services by establishing detailed pre-approval policies as to the particular service, provided that the Committee is informed of each service pre-approved (no less frequently than at each meeting of the Committee) and that no pre-approval shall be delegated to management of the Company except as permitted by applicable law and regulation. In considering whether to pre-approve any non-audit services, the Committee or its delegates shall consider whether the provision of such services is compatible with maintaining the independence of the Company's independent auditors;
5. To conduct an annual review of the performance of the independent auditors, including a review of (i) the background and performance of partners and managers assigned to the Company's account, (ii) quality control procedures established by the independent auditors, and (iii) material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, and any steps taken to deal with any such issues;
6. To instruct the independent auditors that the independent auditors are accountable to the Board and the Committee as stockholder representatives, and that the Committee has a responsibility to select, evaluate, and where appropriate, replace

the independent auditors;

7. To conduct a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors;

8. To review before release the unaudited quarterly operating results in the Company's quarterly earnings release;

9. To review and discuss with management and the Company's independent auditors the preparation and content of any officer certifications required by the Sarbanes-Oxley Act of 2002 or the SEC to be filed with the Company's Quarterly Report on Form 10-Q, Annual Report on Form 10-K or any other periodic report;

10. To discuss with management and internal audit representatives the activities, organizational structure and qualifications of the Company's internal audit function;

11. To review any reports by management or internal auditors regarding the effectiveness of, or any deficiencies in, the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls and reviewing before release the disclosure regarding the Company's system of internal controls required under SEC rules to be contained in the Company's periodic filings and the attestations or reports by the independent auditors relating to such disclosure;

12. To review, in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statements;

13. To provide oversight and review at least annually of the Company's risk management policies, including its investment policies;

14. To institute, if necessary, special investigations with full access to all books, records, facilities and personnel of the Company;

15. Obtain, as appropriate, advice and assistance from outside legal, accounting or other advisors;

16. To establish procedures for receiving, retaining and treating complaints received by the Company regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

17. To review, approve and monitor the Company's code of ethics;

18. To have familiarity, through the individual efforts of its members, with the accounting and reporting principles and practices applied by the Company in preparing its financial statements, including, without limitation, the policies for recognition of revenues in financial statements;

19. To periodically review new releases and pronouncements by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants and the SEC that may affect current or future financial statements or other disclosures in financial reports;

20. To meet separately with management and the independent auditors, upon completion of their audit, to review and discuss the Company's financial results for the year, as reported in the Company's financial statements, or other disclosures, including any significant adjustments, management judgments and accounting estimates, significant new accounting policies and disagreements with management

and any other matters described in SAS No. 61, as may be modified or supplemented, and review reports submitted to the Committee by the independent auditors in accordance with the applicable SEC requirements;

21. To provide a report in the Company's annual meeting proxy statement and the Company's Form 10-K stating whether the Committee has complied with its responsibilities under the Charter, including without limitation, whether the Committee has reviewed and discussed the Company's audited financial statements with the Company's management, whether the Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K, and whether anything came to the attention of the Committee that caused the Committee to believe that the audited financial statements contain any materially misleading information or omit any material information;

22. To instruct the independent auditors that the independent auditors shall discuss the Company's financial results with the Company's management, and shall communicate with the Committee orally or in writing regarding such results, prior to the filing of a Form 10-Q;

23. To assist and interact with the independent auditors in order that they may carry out their duties in the most efficient and cost effective manner and provide an open avenue of communication between the independent auditors and the Board;

24. To evaluate the cooperation received by the independent auditors during their audit examination, including their access to all requested records, data and information, and elicit the comments of management regarding the responsiveness of the independent auditors to the Company's needs;

25. To review the Company's balance sheet, profit and loss statements and statements of cash flows and stockholders' equity for each interim period, and any changes in accounting policy that have occurred during the interim period;

26. To determine, as regards to new transactions or events, the auditor's reasoning in determining the appropriateness of the accounting principles and disclosure practices adopted by management;

27. To assure that the auditor's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure practices;

28. To disclose in the Company's annual meeting proxy statement whether the Committee has a written charter, and to file the Committee's Charter every three years in the Company's annual meeting proxy statement;

29. To review and update the Committee's Charter annually;

30. To investigate, review and report to the Board the propriety and ethical implications of any transactions, including without limitation, approving all transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404, as reported or disclosed to the Committee by the independent auditors, employees, officers, members of the Board or otherwise, between (i) the Company and (ii) any officer or member of the Board of the Company, or any affiliates of the foregoing;

31. To set clear hiring policies for employees or former employees of the independent auditors;

32. To conduct appropriate review of any related party transactions for potential conflicts of interest pursuant to the Company's Related Party Transaction Policy and Procedures and SEC Regulation S-K, Item 404; and

33. To perform such other functions and have such power as may be necessary or convenient in the efficient and lawful discharge of the foregoing.

### **Meetings and Procedural Matters**

The Committee will hold at least four regular meetings per year and additional meetings as the Chairman or Committee deems appropriate. The Committee will meet at such time as shall be determined by its Chairperson, or upon the request of any two of its members. The Committee may establish its own schedule, which it will provide to the Board in advance. The agenda of each meeting will be prepared by the Secretary of the Committee and, whenever reasonably practicable circulated to each member prior to the meeting date. The Committee will meet separately with the Chief Executive Officer and separately with the Chief Financial Officer of the Company at such times as are appropriate to review the financial affairs of the Company. The Committee will meet separately with the independent auditors of the Company, at such times as it deems appropriate, but not less than quarterly, to fulfill the responsibilities of the Committee under this Charter.

One-third of the members, but not less than two (2) members, will constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee. The Chairperson will preside, when present, at all meetings of the Committee. The Committee may meet by telephone or videoconference and may take action by written consent. Minutes of each meeting of the Committee shall be kept and distributed to each member of the Committee, members of the Board who are not members of the Committee and the Secretary of the Company. The Chairman of the Committee shall report to the Board from time to time, or whenever so requested by the Board.

### **Reports**

In addition to preparing the report in the Company's proxy statement in accordance with the rules and regulations of the SEC, the Committee will summarize its examinations and recommendations to the Board as may be appropriate, consistent with the Committee's Charter.

### **Compensation**

Members of the Committee shall receive such fees, if any, for their service as Committee members as may be determined by the Board in its sole discretion. Such fees may include retainers or per meeting fees. Fees may be paid in such form of consideration as is determined by the Board.

Members of the Committee may not receive any compensation from the Company except the fees that they receive for service as a member of the Board or any committee thereof.

## **Delegation of Authority**

The Committee may delegate to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approval decision is presented to the full Committee at its scheduled meetings.