

**ENERGY COMPOSITES CORPORATION**  
**CHARTER OF THE AUDIT COMMITTEE**  
**OF THE BOARD OF DIRECTORS**

**I. Purpose and Authority**

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Energy Composites Corporation (the "Company") to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- review financial information to be provided to shareholders and others;
- monitor the integrity of the Company's accounting and financial reporting processes and systems of internal controls;
- appoint, oversee, and, in its discretion, discharge and replace the Company's independent accountants;
- approve the services performed by the Company's independent accountants and the fees proposed for those services;
- monitor the independence and performance of the Company's independent accountants;
- monitor compliance with the Company’s Code of Ethics by the officers, directors and employees of the Company; and
- provide an avenue of communication among the independent accountants, management, and the Board.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and shall have full and direct access to the independent accountants and Company management, personnel, facilities, books and records. The Committee may retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

**II. Composition and Meetings**

The Committee shall consist of at least two (2) directors, each of whom shall be independent, as defined herein. A director shall not be considered independent if he or she (i) accepts, directly or indirectly, any consulting, advisory, or other compensatory fee from the Company or any of its subsidiaries, other than payments made for Board or committee service; (ii) is an affiliate of the Company or any of its subsidiaries; (iii) has a material relationship with the Company or any of its subsidiaries

(either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company or a subsidiary, and determined not merely from the standpoint of the director but also from that of any person or organization with which the director is affiliated) that may interfere with the exercise of his or her independence from management and the Company; or (iv) does not meet any other independence requirement under applicable laws, rules, or stock exchange listing standards, each as in effect from time to time.

All Committee members shall be financially literate, as determined by the Board in its business judgment, and at least one member shall qualify as an “audit committee financial expert” as defined in rules promulgated by the Securities and Exchange Commission (“SEC”).

If the Committee is aware of any material noncompliance with the structure or expertise requirements set forth above, the Committee shall report such noncompliance to the Board, who must then notify the exchange on which or other market where the Company’s stock is traded promptly of such noncompliance.

The Board shall appoint the members of the Committee, and such members shall serve until their successors are designated by the Board or until their earlier death, resignation, or removal. The Board may remove a Committee member for any reason. If the Chairman of the Committee is not designated or present, the members of the Committee may designate a Chairman by majority vote of the Committee membership.

The Committee shall meet at least four times annually (in person or telephonically), or more frequently as circumstances dictate as determined by the Chairman or by any two other members. The Chairman shall prepare and/or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, with the independent accountants, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed. In addition, the Committee should communicate with management and the independent accountants quarterly to review the Company's interim financial statements and any significant findings based upon the accountants' review procedures before the Company's Quarterly Report on Form 10-Q is filed with the SEC or such quarterly financial information otherwise is made public.

### **III. Responsibilities and Duties**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.

#### **A. Review Procedures**

In fulfilling its responsibilities, the Committee is expected to perform the following procedures:

1. Review and reassess the Charter of the Committee at least annually, recommend to the Board, as appropriate, amendments to the Charter and ensure that the Charter is published in accordance with applicable laws, rules, or stock exchange listing standards.
2. Review the Company's annual audited financial statements prior to filing or distribution. In conducting its review, the Committee should discuss the following matters with management and the independent accountants:
  - a. the independent accountants' audit of the financial statements and its report thereon;
  - b. any significant changes required in the independent accountants' audit plan;
  - c. any significant difficulties encountered during the course of the audit (including any restriction on the scope of work or access to required information);
  - d. any significant disagreement among management and the independent accountants in connection with preparation of the financial statements;
  - e. any significant audit adjustments (both recorded and unrecorded); and
  - f. other matters related to the conduct of the audit which are communicated to the Committee under generally accepted auditing standards.
3. Recommend to the Board that the annual audited financial statements be included in the Company's annual report on Form 10-K based on its review and discussion of the audited financial statements with management and the independent auditor, its discussions with the independent auditor regarding the matters required to be discussed by auditing standards, and its discussions regarding the auditor's independence.
4. Review the CEO and CFO's disclosures and certifications set forth in the Company's Forms 10-Q and 10-K under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.
5. In consultation with management and the independent accountants, consider 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. Review significant findings prepared by the independent accountants together with management's responses.

6. Review with management and the independent accountants the Company's quarterly financial results prior to the release of earnings and the Company's quarterly financial statements prior to filing or distribution, including the content of any press releases. Discuss any significant changes to the Company's accounting principles and any items communicated by the independent accountants in accordance with Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards Nos. 89 and 90. The Chairman of the Committee may represent the entire Committee for purposes of this review.
7. Meet with the independent accountants and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.

**B. Duties Relating to the Independent Accountants**

The independent accountants are ultimately accountable to the Committee and the Board, as representatives of the shareholders. Accordingly, the Committee is expected to perform the following activities with, or as they relate to, the independent accountants:

1. Oversee and evaluate the qualifications, independence and performance of the accountants and annually appoint and engage the independent accountants or approve any discharge of accountants when circumstances warrant.
2. Approve in advance any and all audit services and all permitted nonaudit services provided by the independent accountants, as well as the fees and other compensation to be paid to the independent accountants.
3. On an annual basis, review, and discuss with the independent accountants, all significant relationships the independent accountants have with the Company that could impair the accountants' independence. This review should include, without limitation, the following:
  - a. receiving a formal written statement from the independent accountants delineating all relationships between the accountants and the Company, consistent with Independence Standards Board Standard No. 1; and
  - b. actively engaging in a dialog with the independent accountants with respect to any disclosed relationships or services that may have an impact on the objectivity and independence of the independent accountants.
4. Establish guidelines and procedures with respect to the rotation of audit partners and other senior personnel engaged in providing audit services in

accordance with applicable law and SEC regulations and confirm that the independent accountants are in compliance with such policies.

5. Review the independent accountants' audit plan. This review should include a discussion of scope, staffing, reliance upon management and general audit approach.
6. Review with management and the independent accountants the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the Company.
7. Review changes in promulgated accounting and auditing standards that may materially affect the Company's financial reporting practices.
8. Prior to releasing the year-end earnings, discuss, outside the presence of management, the results of the audit with the independent accountants. The discussion should include the matters set forth in item 2, as well as the following:
  - a. the adequacy of the Company's internal controls, including computerized information system controls and security;
  - b. any related significant findings and recommendations of the independent accountant together with management's responses to them; and
  - c. the independent accountants' judgment about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting. Without limiting the foregoing, the Committee is expected to inquire as to the independent accountants' views about whether management's choices of accounting principles appear reasonable from the perspective of income, asset, and liability recognition, and whether those principles are common practices or are minority practices.

**C. Duties Relating to Related-Party Transactions, Hiring and Ethics**

The Committee is expected to perform the following functions:

1. Review and approve all related-party transactions and potential conflicts of interest, including transactions between the Company and its officers or directors or affiliates of officers or directors.
2. Set clear hiring policies for hiring of employees and former employees of the independent auditor who were engaged on the Company's account, and ensure that such policies comply with any rules or regulations applicable to the Company from time to time.

3. Develop procedures to monitor compliance with the Company's Code of Ethics and other codes of conduct that may be adopted from time to time which are applicable to the Company's officers, directors, and employees pursuant to, and to the extent required by, rules and regulations applicable to the Company from time to time.
4. Establish procedures for the receipt, retention and treatment of complaints regarding ethics, accounting, internal accounting controls or auditing matters.
5. Establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable ethical, accounting or auditing matters.

**D. Other Committee Responsibilities**

1. Provide for the confidential and anonymous submission by employees of issues, complaints, or concerns relating to the ethical conduct of the Company's senior management or other employees or the Company's accounting practices, and review, investigate, and address any items so submitted.
2. Recommend to the Board whether the Company's audited financial statements and the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations should be included in the Company's Annual Report on Form 10-K for filing with the SEC, as applicable.
3. Annually prepare a report to shareholders for inclusion in the Company's proxy statement relating to the annual meeting of shareholders, as or if required by the SEC.
4. Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.
5. Maintain minutes of meetings and periodically report to the Board on the activities of the Committee.
6. Periodically perform self-assessment of Committee performance.
7. Annually review policies and procedures as well as audit results associated with directors' and officers' expense accounts and perquisites.
8. Discuss and address with the independent accountants any significant issues relative to overall Board responsibility that, in the judgment of the independent accountants, have been communicated to management but have not been adequately resolved.