U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 1998

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from ____________________ to

Commission file number: 0-8328

DYNAMIC MATERIALS CORPORATION
(Exact name of Registrant as specified in its charter)

DELAWARE	84-0608431
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
551 ASPEN RIDGE DRIVE, LAFAYETTE	80026
(Address of principal executive office)	(Zip Code)

Issuer's telephone number, including Area Code (303) 665-5700

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, $.05 PAR VALUE
(TITLE OF CLASS)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ____

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,790,008 SHARES OF COMMON STOCK AS OF APRIL 30,1998.

ITEM 1. FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

CONDENSED BALANCE SHEETS

(UNAUDITED)

	March 31, 1998	December 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ -	$ 53,809
Accounts recevable, net of allowance for doubtful accounts of $150,000 as of each date	6,312,350	4,936,350
Inventories	5,757,816	4,029,559
Prepaid expenses and other	217,462	368,511
Deferred tax asset	200,000	200,000
Receivable from related party	221,274	221,274
Total current assets	12,708,902	9,809,503
PROPERTY, PLANT AND EQUIPMENT	9,524,966	5,831,687
Less- Accumulated depreciation	(3,181,346)	(2,988,807)
Property, plant and equipment-net	6,343,620	2,842,880

INTANGIBLE ASSETS, net of accumulated amortization of $342,229 and $307,451, respectively	1,295,686	1,230,464
NOTE RECEIVABLE	280,000	-
OTHER ASSETS	280,221	522,962
TOTAL ASSETS	$20,908,429	$14,405,809

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

CONDENSED BALANCE SHEETS

(UNAUDITED)

	March 31, 1998	December 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdraft	$ 513,768	$ -
Accounts payable	3,435,111	2,328,867
Accrued expenses	1,007,896	1,012,908
Current maturities of long-term debt and capital lease obligations	98,722	113,925
Total current liabilities	5,055,497	3,455,700
LINE OF CREDIT	3,938,589	-
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	59,147	76,832
DEFERRED TAX LIABILITY	13,800	13,800
Total liabilities	9,067,033	3,546,332
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $.05 par value; 4,000,000 shares authorized: no issued and outstanding shares	-	-
Common stock, $.05 par value; 15,000,000 shares authorized; 2,789,508 and 2,718,708 shares issued and outstanding, respectively	139,476	135,936
Additional paid-in capital	7,057,315	6,587,911
Retained earnings	4,644,605	4,135,630
	11,841,396	10,859,477
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$20,908,429	$14,405,809

See Notes to Condensed Financial Statements

DYNAMIC MATERIALS CORPORATION

CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1997

(UNAUDITED)

	1998	1997
NET SALES	$ 9,495,154	$ 9,781,910
COST OF PRODUCTS SOLD	7,498,794	7,734,297
Gross profit	1,996,360	2,047,613

COSTS AND EXPENSES:		
General and administrative expenses	608,337	548,217
Selling expenses	522,501	527,823
Research and development costs	16,486	10,326
	1,147,324	1,086,366
INCOME FROM OPERATIONS	849,036	961,247
OTHER INCOME (EXPENSE):		
Other income	--	21,890
Interest expense	(29,350)	(65,364)
Interest income	1,289	2,485
Income before income tax provision	820,975	920,258
INCOME TAX PROVISION	(312,000)	(295,000)
NET INCOME	$ 508,975	$ 625,258
NET INCOME PER SHARE		
Basic	$ .19	$ .24
Diluted	$ .18	$ .22
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	2,735,324	2,600,239
Diluted	2,869,547	2,891,140

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 1998

(UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock		Additional	
	Shares	Amount	Paid in Capital	Retained Earnings
<S>	<C>	<C>	<C>	<C>
BALANCES, December 31, 1997	2,718,708	$ 135,936	$ 6,587,911	$ 4,135,630
Common stock issued for stock option exercises	13,300	665	22,479	--
Shares issued in connection with the purchase of Spin Forge	50,000	2,500	447,300	--
Restricted stock grant related to the purchase of Spin Forge	7,500	375	(375)	--
Net income	--	--	--	508,975
BALANCES, March 31, 1998	2,789,508	$ 139,476	$ 7,057,315	$ 4,644,605

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1997

(UNAUDITED)

<TABLE>
<CAPTION>

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net income	$ 508,975	$ 625,258
Adjustments to reconcile net income to net cash from operating activities-		
Depreciation	192,539	143,062
Amortization	34,778	29,529
Decrease (increase) in-		
Accounts receivable, net	(1,376,000)	360,066
Inventories	(386,422)	2,650,354
Prepaid expenses and other	155,179	49,120
Increase (decrease) in-		
Bank overdraft	513,768	(743,471)
Accounts payable	344,307	(1,130,336)
Accrued expenses	(189,480)	155,717
Net cash flows from operating activities	(202,356)	2,139,299
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Spin Forge assets	(2,348,589)	--
Purchase of AMK assets	(905,873)	--
Loan to related party	(280,000)	--
Acquisition of property, plant and equipment	(171,020)	(19,765)
Sale of property, plant and equipment	--	10,172
Change in other noncurrent assets	(74,816)	(71,374)
Net cash flows used in investing activities	(3,780,298)	(80,967)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings/(payments) on line of credit, net	3,938,589	(2,430,000)
Payments on long-term debt and capital lease obligations	(32,888)	(29,482)
Net proceeds from issuance of common stock	23,144	200,398
Net cash flows from financing activities	3,928,845	(2,259,084)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(53,809)	(200,752)
CASH AND CASH EQUIVALENTS, beginning of the period	53,809	209,650
CASH AND CASH EQUIVALENTS, end of the period	$ --	$ 8,898

</TABLE>

SEE NOTES TO CONDENSED FINANCIAL STATEMENTS

DYNAMIC MATERIALS CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The information included in the Condensed Financial Statements is unaudited but includes all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the interim periods presented. These Condensed Financial Statements should be read in conjunction with the financial statements that are included in the Company's Annual Report filed on Form 10-KSB for the year ended December 31, 1997.

2. ACQUISITION OF AMK AND SPIN FORGE BUSINESSES

The Company has completed two separate business acquisitions since its December 31, 1997 fiscal year end. On January 5, 1998, the Company acquired certain assets of AMK Welding, Inc. (AMK) for a cash purchase price of approximately $900,000. Assets acquired consisted primarily of machinery and equipment, land and the building that houses AMK's operations. AMK supplies commercial aircraft and aerospace-related automatic and manual, gas tungsten and arc welding services. On March 18, 1998, the Company completed the acquisition of certain assets of Spin Forge, LLC (Spin Forge) for a purchase price of approximately $3,900,000 that was paid with a combination of approximately $2,350,000 in cash, assumption of approximately $1,100,000 in liabilities and 50,000 shares of DMC Common Stock valued at $450,500. The Company's management believes Spin Forge is one of the country's leading manufacturers of tactical missile motor cases and titanium pressure vessels for the commercial aerospace and defense industries. Principal assets acquired included machinery and equipment and inventories. The Company will lease land and buildings from Spin Forge, LLC and holds an option to purchase such property for approximately $2.9 million, subject to certain adjustments, exercisable under certain conditions through January 2002. The option may be extended beyond this date under specified conditions provided that the option price must be adjusted upwards in the event that the fair market value of the property at the time of exercise is higher than $2.9 million.

The following unaudited pro forma results of operations of the Company for the three months ended March 31, 1998 and March 31, 1997 assumes that the acquisition of AMK and Spin Forge had occurred on January 1, 1997. These pro forma results are not necessarily indicative of the actual results of operations that would have been achieved nor are they necessarily indicative of future results of operations. In addition, the purchase price allocation of these acquisitions are tentative and may be affected by final post closing adjustments.

	Three Months Ended	
	March 31, 1998	March 31, 1997
REVENUES	$ 10,756,439	$ 11,474,073
NET INCOME	$ 564,854	$ 603,457
NET INCOME PER SHARE - BASIC	$ 0.20	$ 0.23
NET INCOME PER SHARE - DILUTED	$ 0.19	$ 0.21

3. INVENTORIES

This caption on the Condensed Balance Sheet includes the following:

	March 31, 1998	December 31, 1997
RAW MATERIALS	$ 931,739	$ 984,788
WORK-IN-PROCESS	4,714,328	2,865,164
SUPPLIES	111,749	179,607
	$5,757,816	$4,029,559

4. NET INCOME PER SHARE:

The Company computes earnings per share (EPS) in accordance with Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share". Basic EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted EPS recognizes the potential dilutive effects of dilutive securities. The following represents a reconciliation of the numerator and denominator used in the calculation of basic and diluted EPS:

<TABLE>
<CAPTION>

	For the quarter ended March 31, 1997		
	Income	Shares	Per Share Amount
<S>	<C>	<C>	<C>
Net Income	$ 625,258		
Basic earnings per share:			
Income available to common shareholders	$ 625,258	2,600,239	$ 0.24
Dilutive effect of options to purchase common stock	--	290,901	
Dilutive earnings per share:			
Income available to common shareholders	$ 625,258	2,891,140	$ 0.22

</TABLE>

<TABLE>
<CAPTION>

	For the quarter ended March 31, 1997		
	Income	Shares	Per Share Amount

<S> <C> <C> <C>

Net Income	$ 508,975		
Basic earnings per share:			
Income available to common shareholders	$ 508,975	2,735,324	$ 0.19
Dilutive effect of options to purchase common stock	--	134,223	
Dilutive earnings per share:			
Income available to common shareholders	$ 508,975	2,869,547	$ 0.18

</TABLE>

In December, 1997 the Company adopted SFAS 128 and, as a result, the Company's reported earnings per share for the quarter ended March 31, 1997 were restated. The effect of this change on previously reported EPS data was as follows:

	Quarter Ended March 31, 1997
Per share amounts	
Primary EPS as reported	$0.22
Effect of FAS 128	0.02
Basic EPS as restated	$0.24
Fully diluted EPS as reported	$0.22
Effect of FAS 128	-
Diluted EPS as restated	$0.22

5. SIGNIFICANT CUSTOMER

During the quarter ended March 31, 1998 one customer accounted for approximately 11% of net sales. One customer accounted for approximately 26% of net sales during the quarter ended March 31, 1997. International sales as a percent of net sales were 19% and 42% for the quarters ended March 31, 1998 and March 31, 1997, respectively. Due to the fact that a significant portion of the Company's sales is derived from a relatively small number of customers, the failure to perform existing contracts on a timely basis, to receive payment for such services in a timely manner, or to enter into future contracts at projected volumes and profitability levels could adversely affect the Company's ability to meet its cash requirements exclusively through operating activities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussion should be read in conjunction with the condensed financial statements included elsewhere within this quarterly report. Fluctuations in annual and quarterly operating results may occur as a result of certain factors such as the size and timing of customer orders and competition. Due to such fluctuations, historical results and percentage relationships are not necessarily indicative of the results for any future period. Statements contained in this report that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Factors that could cause actual results to differ materially include, but are not limited to, the ability to obtain new contracts at attractive prices; the size and timing of customer orders; fluctuations in customer demand; competitive factors; the timely completion of contracts; and general economic conditions, both domestically and abroad. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. The Company further directs readers to the factors discussed in the Company's Form 10-KSB for the year ended December 31, 1997.

GENERAL

Dynamic Materials Corporation ("DMC" or the "Company") is a worldwide leader in the high energy metal working business. The high energy metal working business includes the use of explosives to perform both metallurgical bonding, or metal "cladding," and metal forming. The Company performs metal cladding using its proprietary Dynaclad(TM) and Detaclad(R) technologies and performs metal forming using its proprietary Dynaform(TM) technology. Historically, the Company has generated approximately 85% to 90% of its revenues from its metal cladding business and approximately 10% to 15% of its revenues from its metal forming and shock synthesis businesses. The Company expects revenues from its cladding business, as a proportion of total Company revenues, to decline as a result of the recent AMK and Spin Forge acquisitions.

Metal Cladding. Clad metal products are used in manufacturing processes or environments that involve highly corrosive chemicals, high temperatures and/or high pressure conditions. For example, the Company fabricates clad metal tube sheets for heat exchangers. Heat exchangers are used in a variety of high temperature, high pressure, highly corrosive chemical processes, such as processing crude oil in the petrochemical industry and processing chemicals used in the manufacture of synthetic fibers. In addition, the Company has produced titanium clad plates used in the fabrication of metal autoclaves to replace autoclaves made of brick and lead for two customers in the mining industry. The Company believes that its clad metal products are an economical, high-performance alternative to the use of solid corrosion-resistant alloys.

Metal Forming, Welding and Assembly. Formed metal products are made from sheet metal and forgings that are subsequently formed into precise, three-dimensional shapes that are held to tight tolerances. Metal forming is accomplished through both the use of explosives and traditional forming technologies, including spinning, machining, rolling and hydraulic expansion. DMC also performs welding services utilizing a variety of manual and automatic welding techniques that include electron

beam and gas tungsten arc welding processes. The Company's forming and welding operations are often performed to support the manufacture of completed assemblies and sub-assemblies required by its customers. Assembly and fabrication services are performed utilizing the Company's close-tolerance machining, forming, welding, inspection and other special service capabilities. The Company's forming, welding and assembly operations serve a variety of product applications in the commercial aircraft, aerospace, defense and power generation industries. Product applications include torque box webs for jet engine nacelles, tactical and ballistic missile motor cases and titanium pressure tanks.

The Company is continually working to generate solutions to the materials needs of customers in its target markets. Key elements of the Company's strategy include continual improvement of its basic processes and product offerings, the internal development of new cladding and forming products and the acquisition of businesses that broaden or complement the Company's existing product lines. In July 1996, the Company completed its first strategic acquisition when it acquired the assets of the Detaclad(R) Division ("Detaclad") of E.I. du Pont de Nemours and Company ("DuPont"), a complementary explosion cladding business with expertise in cladding thin metals and heat exchanger components primarily for the chemical processing, power generation and petrochemical industries.

The Company has completed two separate business acquisitions since its December 31, 1997 fiscal year end. On January 5, 1998, the Company acquired certain assets of AMK Welding, Inc. (AMK) for a cash purchase price of approximately $900,000. Assets acquired consisted primarily of machinery and equipment, land and the building that houses AMK's operations. AMK supplies commercial aircraft and aerospace-related automatic and manual, gas tungsten and arc welding services and generated sales of approximately $1.2 million in its most recent fiscal year that ended on July 31, 1997. On March 18, 1998, the Company completed the acquisition of certain assets of Spin Forge, LLC (Spin Forge) for a purchase price of approximately $3,900,000 that was paid with a combination of approximately $2,350,000 in cash, assumption of approximately $1,100,000 in liabilities and 50,000 shares of DMC Common Stock valued at $450,500. The Company's management believes Spin Forge is one of the country's leading manufacturers of tactical missile motor cases and titanium pressure vessels for the commercial aerospace and defense industries. Principal assets acquired included machinery and equipment and inventories. The Company will lease land and buildings from Spin Forge, LLC and holds an option to purchase such property for approximately $2.9 million, subject to certain adjustments, exercisable under certain conditions through January 2002. The option may be extended beyond this date under specified conditions provided that the option price must be adjusted upwards in the event that the fair market value of the property at the time of exercise is higher than $2.9 million. Spin Forge generated sales revenues of approximately $6.5 million for the year ended December 31, 1997.

The Company has experienced and expects to continue to experience, quarterly fluctuations in operating results caused by various factors, including the timing and size of orders by major customers, customer inventory levels, shifts in product mix, the occurrence of acquisition-related costs and general economic conditions. In addition, the Company typically does not obtain long-term volume purchase contracts from its customers. Quarterly sales and operating results therefore depend on the volume and timing of backlog as well as bookings received during the quarter. A significant portion of the Company's operating expenses are fixed, and planned expenditures are based primarily on sales forecasts and product development programs. If sales do not meet the Company's expectations in any given period, the adverse impact on operating results may be magnified by the Company's inability to adjust operating expenses sufficiently or quickly enough to compensate for such a shortfall. In addition, the Company uses numerous suppliers of alloys, steels and other materials for its operations. The Company typically bears a short-term risk of alloy, steel and other component price increases, which could adversely affect the Company's gross profit margins. Although the Company will work with customers and suppliers to minimize the impact of any component shortages, component shortages have had, and are expected from time to time to have, short-term adverse effects on the Company's business. Results of operations in any period should not be considered indicative of the results to be expected for any future period. Fluctuations in operating results may also result in fluctuations in the price of the Company's Common Stock.

QUARTER ENDED MARCH 31, 1998 COMPARED TO MARCH 31, 1997

The following table sets forth for the periods indicated the percentage relationship to net sales of certain income statement data:

	PERCENTAGE OF NET SALES THREE MONTHS ENDED MARCH 31, 1998	1997
Net Sales	100.0%	100.0%
Cost of Products Sold	79.0%	79.1%
Gross Profit	21.0%	20.9%
General & Administrative	6.4%	5.6%
Selling Expenses	5.5%	5.4%
R & D	0.2%	0.1%
Other Income	0.0%	0.2%
Interest Expense	0.3%	0.7%
Interest Income	0.0%	0.0%
Income Tax Provision	3.3%	3.0%
Net Income	5.4%	6.4.%

NET SALES. Net sales for the quarter ended March 31, 1998 decreased by 2.9% to $9,495,154 from $9,781,910 in the first quarter of 1997. Sales for the first quarter of 1997 included approximately $3.2 million in sales from shipments under two large, non-recurring orders from an Australian customer. Sales for the first quarter of 1998 included approximately $800,000 in sales from the newly acquired Spin Forge and AMK businesses.

GROSS PROFIT. As a result of the Company's decrease in net sales, gross profit for the quarter ended March 31, 1998 decreased by 2.5% to $1,996,360 from $2,047,613 in first quarter of 1997. The gross

profit margin of 21.0% for the quarter ended March 31, 1998 was virtually unchanged from the gross profit margin of 20.9% for the first quarter of 1997.

GENERAL AND ADMINISTRATIVE. General and administrative expenses for quarter ended March 31, 1998 increased 11.0% to $608,337 from $548,217 in the first quarter of 1997. This increase reflects higher spending levels in a number of categories, including compensation, travel and entertainment, business development and insurance. General and administrative expenses are expected to increase during the remainder of the year as a result of the recently completed Spin Forge acquisition and the Company's ongoing business development activities. As a percentage of sales, general and administrative expenses increased from 5.6% in the first quarter of 1997 to 6.4% in the first quarter of 1998.

SELLING EXPENSE. Selling expenses decreased by 1.0% to $522,501 for the quarter ended March 31, 1998 from $527,823 in the first quarter of 1997. This decrease is attributable to timing differences and does not reflect a downward trend in the Company's selling expenses. As a percentage of sales, selling expenses increased from 5.4% in the first quarter of 1997 to 5.5% in the first quarter of 1998.

RESEARCH AND DEVELOPMENT. Research and development expenses increased to $16,486 for the quarter ended March 31, 1998 from $10,326 in the first quarter of 1997.

INCOME FROM OPERATIONS. Income from operations decreased by 11.7% to $849,036 for the quarter ended March 31, 1998 from $961,247 in the first quarter of 1997. This decrease is a direct result of the decrease in net sales combined with the increase in general and administrative expenses discussed above. Income from operations as a percentage of net sales decreased to 8.9% for the quarter ended March 31, 1998 from 9.8% in the first quarter of 1997.

INTEREST EXPENSE. Interest expense decreased to $29,350 for the quarter ended March 31, 1998 from $65,364 in the first quarter of 1997. This decrease is due to borrowings during the first quarter of 1997 under the Company's revolving line of credit facility with KeyBank National Association that were required to finance a portion of the Detaclad acquisition and working capital requirements associated with two large orders that accounted for a significant portion of December 31, 1996 accounts receivable and inventory balances. Interest expense is expected to increase in the second quarter of 1998 as the line of credit borrowings increased from zero at December 31, 1997 to $3,938,589 at March 31, 1998. The increase is principally a result of the utilization of line of credit borrowings to finance the AMK and Spin Forge acquisitions.

INCOME TAX PROVISION. The Company's income tax provision increased by 5.8% to $312,000 for the quarter ended March 31, 1998 from $295,000 in the first quarter of 1997. This increase reflects an increase in the Company's effective tax rate to 38.0% for the quarter ended March 31, 1998 from 32.1% for the first quarter of 1997. The 38.0% effective tax rate used in the first quarter of 1998 compares to an effective tax rate of 37.8% for the year ended December 31, 1997.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has secured the major portion of its operational financing from operating activities and an asset-backed revolving credit facility. In connection with the Detaclad acquisition, the Company entered into a $7,500,000 asset-backed revolving credit facility with

KeyBank National Association (KeyBank) in July of 1996. The credit facility has a seven-year term and is secured by substantially all of the Company's assets, including its accounts receivable, inventory and equipment The maximum amount available under the line of credit is subject to borrowing base restrictions which are a function of defined balances in accounts receivable, inventory, real property and equipment.

In connection with the Company's acquisition of Spin Forge on March 18, 1998 and resultant increase in the Company's asset base, the Company amended its revolving credit facility with KeyBank. Amendments included an increase in the total facility from $7.5 million to $10 million and separating $5 million of the total facility into a reducing revolving credit facility to be used principally for acquisition financing. The reducing revolving credit facility is secured by certain of the Company's assets, including those of the acquired AMK and Spin Forge businesses, and is not subject to borrowing base restrictions. Availability under this facility will be reduced at the rate of $1 million per year over its five-year term. The remaining $5 million of the revolving credit facility will continue under the same terms and conditions as described above for the original $7.5 million facility. The interest rate applicable to borrowings under both the revolving credit facility and reducing revolving credit facility is, at the Company's option, either the LIBOR Rate plus 1% to 1-1/2%, depending on certain conditions, or the Federal Funds Rate plus 2%. The Company's total borrowings under the KeyBank facility were $3,938,589 as of March 31, 1998.

During the quarter ended March 31, 1998, the Company used $202,356 in cash flows from operating activities as compared to generating $2,139,299 in the first quarter of 1997. The principal sources of cash flow from operations in the quarter ended March 31, 1998 were net income of $508,975, an increase in bank overdraft of $513,768 and an increase in accounts payable of $344,307. These sources of operating cash flow were more than offset by a $1,376,000 increase in accounts receivable and $386,422 increase in inventories. The increase in receivables and inventory relates to higher than normal March sales and production activity associated with the Company's relatively strong beginning of the year order backlog. The Company's current ratio was 2.5 March 31, 1998 as compared to 2.8 at December 31, 1997. Investing activities in the quarter ended March 31, 1998 used $3,780,298 of cash, principally to fund the purchase of the Spin Forge and AMK assets. Financing activities for the quarter ended March 31, 1998 provided $3,928,845 of net cash, including line of credit borrowings in the amount of $3,938,589 that were used primarily for the purchase of the assets of Spin Forge and AMK.

In March 1998, the Company's Board of Directors approved the Company's proposal to build a new manufacturing facility in Pennsylvania at a cost of approximately $6 million. The Company plans to finance the construction of the manufacturing facility and purchase of related equipment with proceeds from the issuance of tax-exempt, industrial development revenue bonds. KeyBank has provided the Company with a letter of credit commitment in the amount of $6 million as credit enhancement for the bond financing. The Company anticipates closing the bond financing by early third quarter of 1998. Construction of the new facility is expected to begin in the summer of 1998 and should be completed in early 1999.

The Company believes that its cash flow from operations, funds expected to be available under its amended credit facility, and proceeds from the anticipated tax-exempt bond financing for the new Pennsylvania manufacturing facility will be sufficient to fund working capital and capital expenditure

requirements of its current business operations, including those of the recently acquired AMK and Spin Forge businesses, for the foreseeable future. However, a significant portion of the Company's sales is derived from a relatively small number of customers; therefore, the failure to perform existing contracts on a timely basis, and to receive payment for such services in a timely manner, or to enter into future contracts at projected volumes and profitability levels could adversely affect the Company's ability to meet its cash requirements exclusively through operating activities. Consequently, any restriction on the availability of borrowing under the line of credit could negatively affect the Company's ability to meet its future cash requirements. The Company's expenditures for the Pennsylvania manufacturing facility could exceed its estimates due to construction delays, the delay in the receipt of any required government approvals and permits, labor shortages or other factors. In addition, the Company plans to grow both internally and through the acquisition of complementary businesses. Increased expenditures for the Pennsylvania manufacturing facility and/or a significant acquisition may require th Company to secure additional debt or equity financing. While the Company believes it would be able to secure such additional financing at reasonable terms, there is no assurance that this would be the case.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company has been named as a defendant in a Lawsuit filed in France by a French company with which the Company had preliminary acquisition discussions during 1997. The Company plans to vigorously defend itself against such claim and the management of the Company believes that the ultimate outcome of such litigation will not have a material adverse effect on the Company's financial condition or results of operations. The Company is not party to any other legal proceedings, the adverse outcome of which would, in management's opinion, have a material adverse effect on the Company's business, operation results and financial condition.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Between January 1, 1998 and March 31, 1998 the Registrant has issued and/or sold unregistered securities as set forth below:

(1) In March 1998, the Registrant issued 50,000 shares of unregistered Common Stock to Joseph Allwein, an officer of the Registrant, as part of the consideration for the purchase of the assets of Spin Forge, LLC.

(2) In March 1998 the Registrant issued 7,500 shares of unregistered Common Stock to Joseph Allwein, an officer of the Registrant, in exchange for services rendered which stock will vest in four equal annual installments.

The sales and issuance of securities in the transactions described in paragraphs (1) and (2) above were deemed to be exempt from registration under the Securities Act by virtue of Section 4(2) promulgated under the Securities Act. The purchasers in each case represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends are affixed to the stock certificates issued in such transactions. All recipients either received adequate information about the Registrant or had access , through employment or other relationships, to such information.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a)

3.1 Certificates of Incorporation of the Registrant**
3.2 Bylaws of the Registrant**
10.1 Asset Purchase Agreement, dated January 1998, between the Registrant and AMK Inc.
10.2 Asset Purchase Agreement, dated as of March 18, 1998 between the Registrant, Spin Forge, LLC, Joseph Allwein and Darlene Bauer Allwin*
10.3 Option Agreement, dated as of March 18, 1998 between the Registrant and Spin Forge, LLC*
10.4 Operating Lease, dated as of March 18, 1998 between the Registrant and Spin Forge, LLC*

10.5 Loan Agreement, dated March 18, 1998 between the Registrant and Spin Forge, LLC*

10.6 Personal Services Agreement, dated March 18, 1998 between the Registrant and Joseph Allwein*
10.7 Stock Agreement, dated as of March 18, 1998 between the Registrant and Spin Forge, LLC*
10.8 Stock Agreement, dated as of March 18, 1998 between the Registrant and Joseph Allwein*
10.9 Non-Competition Agreement, dated as of March 18, 1998 between the Registrant and Joseph Allwein*
10.10 Master Promissory Note, dated as of March 18, 1998, by Spin Forge, LLC*
10.11 Personal Guaranty, dated as of March 18, 1998 between the Registrant, Spin Forge, LLC, Joseph Allwein and Darlene Bauer Allwin*
10.12 Credit Facility and Security Agreement, dated as of March 18, 1998 between the Registrant and Key Bank National Association
10.13 First Amendment to Loan Documents, dated as of March 18, 1998 between the Registrant and Key Bank National Association
27   Financial Data Schedule

(b) None

* Incorporated by reference from the Registrant's Report on Form 8-K filed April 2, 1998

**Incorporated by reference form the Company's Proxy Statement for the 1998 Annual Shareholders' Meeting filed July 14, 1997

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DYNAMIC MATERIALS CORPORATION

(Registrant)

Date: May 15, 1998

/s/Richard A. Santa

Richard A. Santa, Vice President of Finance and Chief Financial Officer (Duly Authorized Officer and Principal Financial and Accounting Officer)

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
10.1	Asset Purchase Agreement, dated January 1998, between the Registrant and AMK Inc.
10.12	Credit Facility and Security Agreement, dated as of March 18, 1998 between the Registrant and Key Bank National Association
10.13	First Amendment to Loan Documents, dated as of March 18, 1998 between the Registrant and Key Bank National Association
27	Financial Data Schedule

FIRST AMENDMENT TO LOAN DOCUMENTS

THIS FIRST AMENDMENT TO LOAN DOCUMENTS (this "FIRST AMENDMENT"), executed this 18th day of March, 1998, is by and between DYNAMIC MATERIALS CORPORATION, a Delaware corporation ("COMPANY"), and KEYBANK NATIONAL ASSOCIATION, a national banking association ("BANK").

R E C I T A L S:

A. On July 19, 1996, the Company and the Bank entered into that certain Credit Facility and Security Agreement (the "Prior Credit Agreement") pursuant to which the Bank agreed to make Loans to the Company, on a revolving basis, in a maximum principal amount not to exceed $7,500,000.

B. The Company desires to reduce the maximum principal amount of the Loans which may be borrowed under the Prior Credit Agreement, and modify certain other terms and conditions of the Prior Credit Agreement, and the Bank is willing to agree to such reduction and modification, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

1. CREDITAGREEMENT AMENDMENTS. The Prior Credit Agreement is hereby amended as follows:

(a) REDUCTION IN MAXIMUM PRINCIPAL AMOUNT OF LOANS. The first sentence of Section 2.1(a)(i) is hereby deleted and shall be replaced with the following:

"The Bank will make one or more revolving Credit Loans to the Company from time to time on and after the date of this Agreement through and including the Termination Date, in an aggregate principal amount not to exceed the lesser of (i) Five Million Dollars ($5,000,000) or (ii) the Loan Base as calculated from time to time."

(b) INCREASE IN MAXIMUM AMOUNT OF CAPITAL EXPENDITURES. Section 8.19 is hereby amended as set forth in such Section of the Credit Facility and Security Agreement between Company and Bank dated March 18, 1998 (the "New Credit Agreement"). Further, the Company is hereby granted a waiver to exceed the foregoing $1,000,000 restriction for the 1998 calendar year.

(c) DELETION OF SECTION. Section 2.6(b) pertaining to an annual fee for unused amounts of the Credit Loan is hereby deleted.

(d) REVISIONS TO CONFORM TO NEW CREDIT AGREEMENT. The following Sections of the Prior Credit Agreement shall be amended to reflect the language set forth in such Sections of the New Credit Agreement: (i) In Section 1.2, the definitions of "CURRENT ASSETS" AND "CURRENT

LIABILITIES" and "MATERIAL AGREEMENTS"; (ii) Section 2.1(a)(i); (iii) Section 4.2; (iv) Section 5.9; (v) Section 5.11; (vi) Section 8.1; (vii) Section 8.20; (viii) Section 9.1; (ix) Section 9.4; (x) the deletion of Section 9.6; (xi) Section 10.1; (xii) the deletion of Section 10.2; and (xiii) Section 11.6.

2. LOAN DOCUMENTS AMENDMENTS. Each of the Loan Documents is hereby amended to conform to the amendments to the Credit Agreement as set forth in Paragraph 1.

3. DOCUMENT RATIFICATION. Subject to the amendments set forth in Paragraphs 1 and 2 above, all of the terms and conditions contained in the Credit Agreement and the other Loan Documents shall remain unmodified and in full force and effect.

4. RELEASE. Except as specifically set forth herein, the execution of this First Amendment by the Bank does not and shall not constitute a waiver of any rights or remedies to which the Bank is entitled pursuant to the Loan Documents, nor shall the same constitute a waiver of any default now existing or which may occur in the future with respect to the Loan Documents. The Company hereby agrees that the Bank has fully performed its obligations pursuant to the Loan Documents through the date hereof and hereby waives, releases and relinquishes any and all known claims whatsoever that it may have against the Bank with respect to the Loan Documents through the date hereof.

5. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY. The Company represents, warrants and covenants to the Bank:

(a) No default or event of default under any of the Loan Documents as modified herein, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an event of default under the Loan Documents as modified herein has occurred and is continuing.

(b) There has been no material adverse change in the financial condition of the Company or any other person whose financial statement has been delivered to the Bank in connection with the Loans from the most recent financial statement received by the Bank.

(c) Each and all representations and warranties of the Company in the Loan Documents are accurate on the date hereof.

(d) The Company has no known claims, counterclaims, defenses, or set-offs with respect to the Loans or the Loan Documents as modified herein.

(e) The Loan Documents as modified herein are the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with their terms.

(f) The Company shall execute, deliver, and provide to the Bank such additional agreements, documents, and instruments as reasonably required by the Bank to effectuate the intent of this Agreement.

6. CONTROLLING LAW. The terms and provisions of this First Amendment shall be construed in accordance with and governed by the laws of the State of Colorado.

7. BINDING EFFECT. This First Amendment shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

8. CAPTIONS. The paragraph captions utilized herein are in no way intended to interpret or limit the terms and conditions hereof, rather, they are intended for purposes of convenience only.

9. COUNTERPARTS. This First Amendment may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page. Any signature page of this First Amendment may be detached from any counterpart of this First Amendment without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this First Amendment identical in form hereto but having attached to it one or more additional signature pages.

10. DEFINED TERMS. Capitalized terms not defined herein shall have the same meaning as set forth in the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the day and year first above written.

BANK:

KEYBANK NATIONAL ASSOCIATION

By: /s/Scot T. Wetzel
Title: Vice President, Corporate Banking

COMPANY:

DYNAMIC MATERIALS CORPORATION

By: /s/Richard A. Santa
Title: Vice President of Finance
and Chief Financial Officer

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THIS FIRST AMENDMENT TO LOAN DOCUMENTS (this "FIRST AMENDMENT"), executed this 18th day of March, 1998, is by and between DYNAMIC MATERIALS CORPORATION, a Delaware corporation ("COMPANY"), and KEYBANK NATIONAL ASSOCIATION, a national banking association ("BANK").

R E C I T A L S:

A. On July 19, 1996, the Company and the Bank entered into that certain Credit Facility and Security Agreement (the "Prior Credit Agreement") pursuant to which the Bank agreed to make Loans to the Company, on a revolving basis, in a maximum principal amount not to exceed $7,500,000.

B. The Company desires to reduce the maximum principal amount of the Loans which may be borrowed under the Prior Credit Agreement, and modify certain other terms and conditions of the Prior Credit Agreement, and the Bank is willing to agree to such reduction and modification, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

1. CREDITAGREEMENT AMENDMENTS. The Prior Credit Agreement is hereby amended as follows:

(a) REDUCTION IN MAXIMUM PRINCIPAL AMOUNT OF LOANS. The first sentence of Section 2.1(a)(i) is hereby deleted and shall be replaced with the following:

"The Bank will make one or more revolving Credit Loans to the Company from time to time on and after the date of this Agreement through and including the Termination Date, in an aggregate principal amount not to exceed the lesser of (i) Five Million Dollars ($5,000,000) or (ii) the Loan Base as calculated from time to time."

(b) INCREASE IN MAXIMUM AMOUNT OF CAPITAL EXPENDITURES. Section 8.19 is hereby amended as set forth in such Section of the Credit Facility and Security Agreement between Company and Bank dated March 18, 1998 (the "New Credit Agreement"). Further, the Company is hereby granted a waiver to exceed the foregoing $1,000,000 restriction for the 1998 calendar year.

(c) DELETION OF SECTION. Section 2.6(b) pertaining to an annual fee for unused amounts of the Credit Loan is hereby deleted.

(d) REVISIONS TO CONFORM TO NEW CREDIT AGREEMENT. The following Sections of the Prior Credit Agreement shall be amended to reflect the language set forth in such Sections of the New Credit Agreement: (i) In Section 1.2, the definitions of "CURRENT ASSETS" AND "CURRENT

LIABILITIES" and "MATERIAL AGREEMENTS"; (ii) Section 2.1(a)(i); (iii) Section 4.2; (iv) Section 5.9; (v) Section 5.11; (vi) Section 8.1; (vii) Section 8.20; (viii) Section 9.1; (ix) Section 9.4; (x) the deletion of Section 9.6; (xi) Section 10.1; (xii) the deletion of Section 10.2; and (xiii) Section 11.6.

2. LOAN DOCUMENTS AMENDMENTS. Each of the Loan Documents is hereby amended to conform to the amendments to the Credit Agreement as set forth in Paragraph 1.

3. DOCUMENT RATIFICATION. Subject to the amendments set forth in Paragraphs 1 and 2 above, all of the terms and conditions contained in the Credit Agreement and the other Loan Documents shall remain unmodified and in full force and effect.

4. RELEASE. Except as specifically set forth herein, the execution of this First Amendment by the Bank does not and shall not constitute a waiver of any rights or remedies to which the Bank is entitled pursuant to the Loan Documents, nor shall the same constitute a waiver of any default now existing or which may occur in the future with respect to the Loan Documents. The Company hereby agrees that the Bank has fully performed its obligations pursuant to the Loan Documents through the date hereof and hereby waives, releases and relinquishes any and all known claims whatsoever that it may have against the Bank with respect to the Loan Documents through the date hereof.

5. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY. The Company represents, warrants and covenants to the Bank:

(a) No default or event of default under any of the Loan Documents as modified herein, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an event of default under the Loan Documents as modified herein has occurred and is continuing.

(b) There has been no material adverse change in the financial condition of the Company or any other person whose financial statement has been delivered to the Bank in connection with the Loans from the most recent financial statement received by the Bank.

(c) Each and all representations and warranties of the Company in the Loan Documents are accurate on the date hereof.

(d) The Company has no known claims, counterclaims, defenses, or set-offs with respect to the Loans or the Loan Documents as modified herein.

(e) The Loan Documents as modified herein are the legal, valid, and binding obligation of the Company, enforceable against the Company in accordance with their terms.

(f) The Company shall execute, deliver, and provide to the Bank such additional agreements, documents, and instruments as reasonably required by the Bank to effectuate the intent of this Agreement.

6. CONTROLLING LAW. The terms and provisions of this First Amendment shall be construed in accordance with and governed by the laws of the State of Colorado.

7. BINDING EFFECT. This First Amendment shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

8. CAPTIONS. The paragraph captions utilized herein are in no way intended to interpret or limit the terms and conditions hereof, rather, they are intended for purposes of convenience only.

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BANK:

KEYBANK NATIONAL ASSOCIATION

By: /s/Scot T. Wetzel

Title: Vice President, Corporate Banking

COMPANY:

DYNAMIC MATERIALS CORPORATION

By: /s/Richard A. Santa

Title: Vice President of Finance
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and Chief Financial Officer

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BANK:

KEYBANK NATIONAL ASSOCIATION

By: /s/Scot T. Wetzel

Title: Vice President, Corporate Banking

COMPANY:

DYNAMIC MATERIALS CORPORATION

By: /s/Richard A. Santa

Title: Vice President of Finance
and Chief Financial Officer

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