2011 Annual General Meeting

Matrix Composites & Engineering Ltd

Tuesday 25th October 2011, 10.30am
CHAIRMAN’S PRESENTATION

Presented by Nigel Johnson
CHAIRMAN’S ADDRESS

Good morning ladies and gentlemen and welcome to the 2011 Annual General Meeting (AGM) of Matrix Composites & Engineering Ltd (“Matrix”). Thank you for taking the time to attend today’s meeting.

My name is Nigel Johnson and I am Chairman of Matrix. I would like to introduce your Directors who are present today:

Chief Executive Officer – Mr Aaron Begley
Non-Executive Director – Mr Max Begley
Non-Executive Director – Mr Craig Duncan
Non-Executive Director – Mr Peter Hood
Non-Executive Director – Mr Paul Wright.

As a consequence of the resignation of Mr Michael Kenyon, CFO and Company Secretary, in September 2011 due to health reasons, Mr Wright is acting CFO/Company Secretary until a replacement for Mr Kenyon is found. In addition, representatives from our auditors, Deloittes, and our legal advisers, Lavan Legal, are present today.

Before dealing with the formal matters of this meeting I would like to make a few comments on Matrix’s activities and performance throughout financial year (FY) 2011.

As the only major oil and gas equipment manufacturer and exporter in Australia and the global leader in the manufacture and supply of subsea buoyancy systems, Matrix holds an enviable position in the domestic and international marketplace. Throughout FY 2011, Matrix continued to grow significantly, including opening the world’s largest syntactic foam plant at Henderson, diversifying into new products, expanding its geographical presence, investing in human resources and nearly doubling revenue and net profit after tax compared to the previous financial year.
Your Board believes that the material investment that has been made in these areas will position Matrix to capture the significant opportunities available to the company.

The construction and fit-out of the new manufacturing facility at Henderson in Western Australia was completed and officially opened in June 2011. The facility is the largest and most technically advanced of its kind in the world and doubles Matrix’s production capacity. The new facility allows Matrix to manufacture riser buoyancy modules more efficiently and develop and manufacture a range of other composite products. The new plant also reduces manufacturing costs, providing Matrix with a significant competitive advantage over its competitors. Full production capacity is expected to be achieved by December 2011. The increase in production capacity negates the need to continue riser buoyancy production at the Malaga plant. As a result this plant was closed on 30 September 2011.

In 2011, one of Matrix’s strategic objectives was to diversify its business and product lines. In this regard, Matrix has made good progress. The heavy engineering business was rebranded as Matrix Offshore Services and Engineering allowing it to piggyback off the strong Matrix brand. It is also looking to expand its service offering to the offshore oil and gas sector in Australia and abroad. In regards to product development, we are now in a position to offer a product range that includes subsea, umbilicals, riser and flowline (SURF) applications, and composite drilling centralisers. Matrix will continue to invest heavily in product research and development programs to ensure it remains at the forefront of technology and product innovation. This will allow Matrix to meet current and future client requirements, whilst at the same time diversifying the product base and reducing the reliance on any single product revenue stream.

Matrix has continued to invest in human resources to support and manage its growth and development. It is growing its global business development team to increase geographical coverage in North and South America, Asia and Australia. A business development manager has been appointed for the Houston office of our newly established US subsidiary, and we have recently appointed a manager for Brazil who will be focused on attaining service and repair contracts for Matrix in South America. Matrix has also recruited specialist engineers for product development, undergone a successful recruitment and manning up program for the Henderson manufacturing facility and appointed several individuals in key operations roles. At a Board level,
Matrix appointed Mr Peter Hood as a Non-Executive Independent Director in September 2011. Peter brings considerable leadership and operations experience to Matrix and will be a valuable contributor to the continuing development of Matrix. Peter will take over the role as Chairman of Matrix at the conclusion of today’s AGM.

Matrix achieved strong financial results in FY 2011. Record revenue of $187.3 million was generated, an increase of 82 percent on the previous corresponding year. It also reported a record net profit after tax (NPAT) of $33.6 million, up 85 per cent on the previous corresponding year. Earnings per share (EPS) increased from 29.4 cents to 46 cents per share, a rise of 56 percent. This strong financial result has allowed Matrix to increase its full year dividend to 8 cents per share, fully franked, up 100 percent on last year’s 4 cents per share.

In March 2011, Matrix was added to the S&P/ASX 300 Index. In April, Matrix successfully completed a placement of its ordinary shares to a number of Australian and Asian financial institutions and raised further equity funds through a share purchase plan in May 2011. Total net proceeds from the two equity raisings was $33.8 million (net of capital raising costs). These funds are being used for the second stage of the Henderson property development project, the development of new products, the expansion of overseas operations and facilities, and for general working capital purposes.

From an innovation and export perspective there were a number of highlights over the year. Matrix was a winner in the 2011 and 2010 WA Industry and Export Awards: ‘Large Advanced Manufacturer’ category and ‘Premiers Award for Excellence’ (2010); a winner in the 2010 Australian Export Awards: ‘Large Advanced Manufacturer’ category, and the 2011 Subsea Energy Australian Awards: ‘Global Exports’.

The outlook for Matrix is extremely positive. The new Gulf of Mexico regulations and a continuing strong oil price are driving a new construction cycle for drill ships and semi-submersible rigs which will boost demand for our marine riser products. Product diversification is also opening up new markets and opportunities for Matrix. Our record quotation book is expected to be converted into new orders particularly in the second half of FY 2012. The forecast for a strong Australian dollar and more aggressive pricing from our competitors is likely to have some impact on the rate of Matrix’s revenue and profit growth in FY 2012 compared to the previous three years. The
efficiencies and cost benefits arising from the new manufacturing facility at Henderson will start to flow through in FY 2012 as Matrix moves forward to achieving full production capacity.

Finally, I would like to thank my fellow Board members, Matrix management and all employees for their terrific commitment, effort and contribution during what has been a successful and rewarding year. Today is the last AGM of Matrix that I will be chairing, although I will remain a Non-Executive Director of Matrix. As mentioned earlier, Peter Hood will take over the role as Chairman of Matrix and I am confident he will be an outstanding Chairman. On behalf of all shareholders and Matrix employees we wish Peter all the best.

Nigel Johnson

Chairman
CEO’s PRESENTATION

Presented by Aaron Begley
Safety centric organisation

Lost time incident frequency rates (LTIFR) benchmarked against industry

objective to move towards zero LTI’s

ISO 14000 certification being sought for FY2012

Ongoing training and development for staff
Revenue & Revenue Projections

- Guidance of 20% growth provided at time of release of FY11 results
- Industry wide procurement delays from customers impacting 1H FY12 revenue
- FY12 revenue growth now expected to be between 0% and 10%
  - Skewed towards 2H FY12
- Medium term outlook remains strong
  - Record number of committed projects
  - Quotation activity remains very strong
Revenue Breakdown

- Composite materials contributed 85% of revenue for FY11.
- Matrix Offshore Services & Engineering (MOSE) turned over approximately $28m.
- A significant amount of intra-company work was completed for Henderson throughout the period.
Order book at 30\textsuperscript{th} June was $110m

Current open quotation book exceeds $600m

Client base diversified throughout the year

The composition of the quotation book reflects a change in forecast product mix

<table>
<thead>
<tr>
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<td>Matrix Offshore Services</td>
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Financial Performance

Revenue $m

FY09: 54.3
FY10: 102.6
FY11: 187.3

NPAT $m

FY09: 3.1
FY10: 18.2
FY11: 33.6

EPS cents per share

FY09: 6.0
FY10: 29.4
FY11: 46.0

↑82%  ↑85%  ↑56%
Financial Performance

<table>
<thead>
<tr>
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<th>30 June 2011</th>
<th>30 June 2010</th>
<th>30 June 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue ($)</strong></td>
<td>187,271,212</td>
<td>102,622,164</td>
<td>54,325,637</td>
</tr>
<tr>
<td><strong>Net profit before tax ($)</strong></td>
<td>46,916,564</td>
<td>24,562,460</td>
<td>3,463,009</td>
</tr>
<tr>
<td><strong>Net profit after tax ($)</strong></td>
<td>33,608,370</td>
<td>18,155,336</td>
<td>3,095,279</td>
</tr>
<tr>
<td><strong>Share price at start of year</strong></td>
<td>$2.68</td>
<td>$1.36</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Share price at end of year</strong></td>
<td>$7.22</td>
<td>$2.68</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Interim dividend</strong></td>
<td>3.0cps</td>
<td>2.0cps</td>
<td>-</td>
</tr>
<tr>
<td><strong>Final dividend</strong></td>
<td>5.0cps</td>
<td>2.0cps</td>
<td>2.0cps</td>
</tr>
<tr>
<td><strong>Basic earnings per share</strong></td>
<td>46.0cps</td>
<td>31.0cps</td>
<td>6.3cps</td>
</tr>
<tr>
<td><strong>Diluted earnings per share</strong></td>
<td>46.0cps</td>
<td>29.4cps</td>
<td>6.0cps</td>
</tr>
</tbody>
</table>

1 Closing price on listing date - 16 November 2009.
2 Franked to 100% at 30% corporate income tax rate.
3 Declared after the end of the reporting period and not reflected in the financial statements.
# Financial Performance

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<th>30 June 2009</th>
</tr>
</thead>
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<tr>
<td>EBITDA</td>
<td>$52.6m</td>
<td>$28.1m</td>
<td>$5.5m</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>28.1%</td>
<td>27.3%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Net Debt/ Net Debt &amp; Equity</td>
<td>6.7%</td>
<td>(9.2)%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Interest Cover (EBIT/Interest Expense)</td>
<td>48x</td>
<td>54x</td>
<td>11x</td>
</tr>
<tr>
<td>Interest bearing debt</td>
<td>$35.2m</td>
<td>$8.1m</td>
<td>$5.6m</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>$30.8m</td>
<td>$41.2m</td>
<td>$10.3m</td>
</tr>
<tr>
<td>November 2009 Capital Raising (IPO)</td>
<td>-</td>
<td>$15.0m</td>
<td>-</td>
</tr>
<tr>
<td>April 2010 Capital Raising</td>
<td>-</td>
<td>$13.5m</td>
<td>-</td>
</tr>
<tr>
<td>April 2011 Capital Raising</td>
<td>$36.0m</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
### 1H FY 2012 Forecasts

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Revenue – 1H 2011 ($)</td>
<td>$85m</td>
</tr>
<tr>
<td>Estimated NPAT ($)</td>
<td>Break even</td>
</tr>
<tr>
<td>Actual Cash On Hand (mid October 2011)</td>
<td>$15m</td>
</tr>
<tr>
<td>Forecast Cash On Hand (31 December 2011)</td>
<td>$20m</td>
</tr>
</tbody>
</table>

### Normalisation Issues

#### Non Recurring Items After Tax

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Malaga/Henderson Duplication Costs*</td>
<td>$3.0m</td>
</tr>
<tr>
<td>Malaga Decommissioning Costs</td>
<td>$0.7m</td>
</tr>
<tr>
<td>Warranty Claim**</td>
<td>$0.7m</td>
</tr>
<tr>
<td>Hedge Book Fluctuation</td>
<td>$(0.1)m</td>
</tr>
<tr>
<td>Henderson Commissioning Expenses</td>
<td>$1.5m</td>
</tr>
<tr>
<td>Malaga Plant Write-Down</td>
<td>$3.5m</td>
</tr>
<tr>
<td>Malaga Redundancy Expenses</td>
<td>$0.3m</td>
</tr>
</tbody>
</table>

**TOTAL NON RECURRING ITEMS AFTER TAX** $9.6m

*Malaga operations ceased 30/9/11

** Warranty claim refers to a surface treatment issue which has been resolved and closed out
The Transition to Henderson

- One-off costs from the transition to Henderson and the Malaga shut-down will impact 1H FY12 reported profit
- Ramp up to full capacity on track for December 2011
- Henderson will re-base manufacturing costs:
  - lower per unit direct labour costs – 50% lower than Malaga
  - improved direct labour productivity addresses labour shortage concerns in WA and a high AUD, and will help off-set competitive price pressures
  - lower waste levels
  - elimination of logistical, transport and warehousing costs
- Recent global client feedback is extremely positive
- Allows Matrix to deliver a quality of product demanded by our market and not currently delivered by competitors
- Provides a platform for growth in 2012 and beyond
Operational Highlights
Group personnel (as at 24/10/11) – 395

- Redundancies due to closure of the Malaga plant
- Ongoing training and development for staff
- Apprenticeship program
- Recruitment for overseas operations
  - US (Houston)
  - Brazil
  - Norway
  - West Africa
- Recruited Operations Manager for MOSE – key position
- Maintained ISO 9001 status
Drilling Products - Performance

- Won several major contracts with international drilling contractors for delivery in FY 11 and FY 12
- Record production of riser buoyancy modules in FY11, with over 10 complete riser strings delivered to international customers
- Provided more than 50% of global demand for premium buoyancy (ultra-light) throughout the period
- Preferred supply agreement with major riser manufacturer – potential $30-$50m revenue/year for five years
Drilling Products – Outlook

- Outlook for global deepwater drilling and production strong
- New builds typically 10,000’ capacity, ↑ overall average riser length and number of buoyancy modules.
- An ageing rig fleet is increasing the size of the replacement and upgrade market

Source: ODS Petrodata, Morgan Stanley Research estimates
Forecasts for committed rigs are based on yard by yard deliveries. Forecasts do not include uncommitted options.
New products
- expanded range of composite drilling and completions centralisers

Warehouses in Edmonton (Canada) and Houston (USA) to store products

Service facilities planned for Houston and Singapore

Matrix global sales offices and agents

Significant sales into North America, Asia and Australia

Well construction equipment is expected to provide a material contribution to revenue and profitability over the next 2-3 years
Well footage (offshore) expected to ↑ by 32% from 2011 – 2017

Well footage (land) expected to ↑ 26% from 2011 – 2017

No. of new wells (land) expected to ↑ by 28.5% from 2011 – 2017

No. of new wells (offshore) expected to ↑ by 33% from 2011 – 2017

↑ in offshore lateral well developments

Rapidly growing coal bed methane and shale gas markets

Global estimates, excludes China, Russia & Central Asia

Source: Spears & Associates Drilling and Production Outlook September 2011
New products/services
- new SURF products due for launch in FY12
- wide variety of SURF products were delivered during the year, including ROV, installation buoyancy and subsea pipeline products

New technology
- two revolutionary product technologies designed for use with flexible risers and subsea umbilicals

↑demand for SURF product lines
- International and domestic subsea development projects are being re-instated post GFC.
Global subsea market predicted to significantly in 2013

Many projects entering the construction phase in 2012

Large number of domestic and international subsea developments announced

Continuing to service major operators with large OD caissons under a frame agreement

Heavy mechanical equipment for the local iron ore industry continues to underpin turnover

Several major equipment deliveries completed in FY11 for the Henderson project

Site service opportunities are growing with several major offshore projects completed throughout the year

Local oil and gas and iron ore projects will drive revenue growth over the medium term
Strategic Plan Update
Shift to Offshore Production: will drive continued demand for products

Off-shore and On-shore Oil Production

Global Off-shore Oil and Gas Fields

Development of Floater Rig Market 1985 - Present

Capital Investment on Deepwater Infrastructure ($ in Billion)

Source: Douglas-Westwood.
Source: ODS Petrodata.
Source: Clarkson Research.
Diversification of revenue base

- **Current**
  - DRBM: 84%
  - SERVICES: 3%
  - SURF: 1%
  - WELL CONSTR: 0%
  - MOSE: 12%

- **Short Term**
  - DRBM: 72%
  - SERVICES: 4%
  - SURF: 5%
  - WELL CONSTR: 7%
  - MOSE: 12%

- **Medium Term**
  - DRBM: 57%
  - MOSE: 12%
  - SERVICES: 10%
  - WELL CONSTR: 12%
  - SURF: 9%

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- Expand our distribution and service base
- Diversify and expand our product offering
- Strengthen our position as the global leader in subsea buoyancy products
- Expand the scope and location of specialty services offered by MOSE
Product Development: Drive to Capture Growth Markets

- Continuous improvement in riser buoyancy performance to maintain position as the global market leader
- Focus on production buoyancy and ancillaries development and marketing
- Drilling and completion products provide an enormous opportunity for expansion into a new market segment within the confines of the oil and gas sector
Contact Details

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