

23 May 2012

Ms Elizabeth Harris
Principal Adviser, Listings
ASX Limited
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

By Email: elizabeth.harris@asx.com.au

Dear Elizabeth

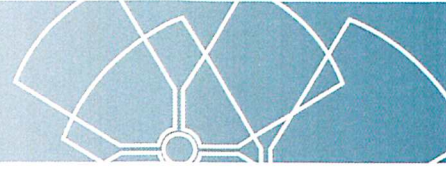
RESPONSE TO PRICE QUERY

We refer to your correspondence dated 15 May 2012 regarding a decrease in the share price of Matrix Composites & Engineering Ltd (“Matrix”, “MCE” or “the Company”).

In response to the price movement, Matrix refers you to the Operational & Financial Update dated 23 May 2012 and specifically advises as follows:

- i) In the past month the syntactic foam plant at Henderson has achieved peak operating rates of 81 per cent of name plate capacity and the Company maintains a high degree of confidence that nameplate capacity will be achieved before the end of FY2012.
- ii) The Company confirms the market consensus forecasts for FY2013 are not inconsistent with the Company’s internal estimates. In particular, the Company has provided earnings guidance for FY 2013 of Revenue of approximately \$225 million and NPAT of \$23 million to \$25 million.



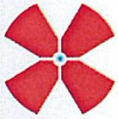


- iii) The Company has not previously provided earnings guidance for FY2012. Matrix is now in a position to advise that, in relation to FY2012 and having regard to actual unaudited results up to 30 April 2012, but subject to the actual results for May and June 2012, it currently expects to report results for FY2012 within the ranges of;
 - a. Forecast revenue of approximately \$140 million to \$150 million; and
 - b. Forecast Operating loss before tax of \$20 million to \$23 million, inclusive of non-cash items of approximately \$16 million.
- iv) Capital expenditure for the ten months to 30 April 2012 was \$17.7 million;
- v) Since 24 February 2012 Matrix has converted Letters of Intent totaling US\$18 million into contracts and secured additional contracts to the value of US\$10 million;
- vi) As at 30 April 2012 the Company's forecast unfulfilled order book is US\$90 million which together with pending orders (being orders in advanced stages of negotiation and award) of US\$110 million is currently anticipated to load the Henderson operation to approximately 90 per cent based on full operating rates, for FY2013.
- vii) the Company has today launched an accelerated entitlement offer and placement of new fully paid ordinary shares in Matrix to raise approximately \$36.7 million.

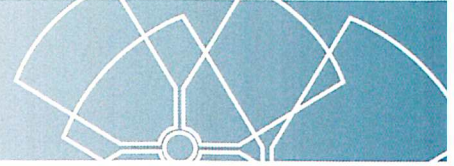
In response to the questions raised in your correspondence dated 15 May 2012, the Company's response is as follows:

1. Other than as set out above, the Company is not aware of any information that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company.
2. Not applicable.





Matrix
Composites & Engineering Ltd



3. Other than as set out above, the Company has no explanation as to why there has been a decrease in the price of its securities.
4. The Company confirms that it is in compliance with the listing rules, in particular, Listing Rule 3.1.

Yours sincerely

PETER TAZEWELL
Company Secretary

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15 May 2012

Mr Peter Tazewell
Company Secretary
Matrix Composites and Engineering Limited
150 Quill Way
HENDERSON WA 6166

Dear Peter

Matrix Composites and Engineering Limited ("the Company")

PRICE QUERY

We have noted a change in the price of the Company's securities from a closing price on Thursday 26 April 2012 of \$3.14 to an intra-day low today, Tuesday, 15 May 2012, of \$2.28.

In light of the price change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price and volume change in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by email to Elizabeth.Harris@asx.com.au or by facsimile number (08) 9221 2020. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 5:00 pm (WST) today Tuesday 15 May 2012.**

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

[Sent electronically without signature]

Elizabeth Harris

Principal Adviser, Listings (Perth)