

**CHAIRMAN'S ADDRESS TO ANNUAL GENERAL
MEETING – WEDNESDAY, 31 OCTOBER 2012,
10.00am PERTH TIME**

Good Morning ladies and gentlemen. It is my pleasure to welcome you to the 2012 Annual General Meeting of shareholders of Matrix Composites & Engineering Ltd. My name is Peter Hood and I am the Chairman of Matrix. Sitting with me are my fellow directors, Craig Duncan, Nigel Johnson, Paul Wright and Aaron Begley – CEO and Managing Director. Also attending today is Mr Peter Tazewell, Company Secretary, Mr Peter Rupp, partner of Deloitte Touche Tohmatsu, the company's auditors and Mr Chris Hernandez from Link Market Service, the Company's Share Registry.

2012 was a challenging year and one in which the disappointing financial result did not reflect the significant effort that had gone into completing the transition of the composite materials business from Malaga to Henderson.

Matrix recorded revenue of \$144.8 million for the year, a 17 per cent reduction on the record revenue of 2011. This fall in revenue was directly impacted by:

- i) The production difficulties encountered while commissioning Henderson;
- ii) Flat unit pricing for buoyancy products; and
- iii) The increased AUD relative to the USD.

The lower than anticipated production, asset write offs associated with exiting Malaga, duplicate manufacturing costs and elevated rates of raw material consumption through the commissioning phase all contributed to Matrix recording a net loss after tax of \$14.5 million for the year. While the Board and management are extremely disappointed to report this loss, the Company has recorded a number of achievements over the year, including:

- i) Completed the transition to a purpose built-world class facility at Henderson WA;

- ii) Recapitalised the balance sheet of the Company by successfully raising \$36.7 million;
- iii) Continued product development strategies to support the launch of innovative new products.

Recently Matrix downgraded its earnings guidance for FY2013 based on a temporary shortfall in committed orders from its customers. As a consequence of this, Matrix has temporarily slowed production and reduced costs across its businesses. While the impact of these decisions will have an adverse financial consequence in FY2013, Matrix believes that these changes will position the business to benefit strongly when order conversion improves during FY2014.

The Board has great confidence in the outlook for Matrix beyond FY2013. The macro indicators in terms of new build drill ships, the aging of the buoyancy fleet and the forecast increase in onshore drilling in North America all support strong future demand for the Company's products. The Company anticipates quickly rebuilding the backlog of orders and increasing production back to nameplate capacity over the next six to nine months.

On behalf of the Board I express my thanks to all of Matrix's people for their efforts over the past 12 months. A major transition, such as Matrix has undergone over the past 12 months, can be highly disruptive and it is a credit to the Matrix team that this has now been completed while maintaining business momentum. Matrix now enjoys a world class syntactic foam plant and is exposed to a highly favourable industry. Similarly the Matrix investor base has been patient and supportive over the past year and the Board looks forward to shareholders being rewarded for their faith and confidence in the future.

Finally, I would like to pay tribute to Max Begley, the founder of Matrix, for his vision and commitment to growing Matrix from its humble beginnings into a leading supplier and manufacturer of products to the global oil and gas field services industry.