

**CHAIRPERSON'S ADDRESS TO ANNUAL
GENERAL MEETING – WEDNESDAY, 6 NOVEMBER
2013, 10.00am (WST)**

Introduction

Ladies and Gentlemen, I am delighted to address you today as the Chairperson of Matrix. Aaron Begley will provide a detailed overview of the business performance for FY13 at the conclusion of the meeting. For my part I would like to comment on the business performance from the shareholders' perspective and cover some of the governance issues which are of paramount importance to the Board.

FY13 Performance

As I reflect on the business performance for FY13 I am aware that the financial performance has not met the expectations of shareholders, or the Board, and this is a reflection of what has been an extremely challenging two years for the Company. Matrix experienced significant disruption to operations during FY12 as it completed a company defining capital investment in new manufacturing facilities at Henderson, Western Australia. As a result, a major objective of the Company in 2013 was to demonstrate the ability to optimise plant performance. By Q4 FY13, Matrix was able to achieve stable production across two shifts, in excess (112 per cent) of the design capacity, on a shift-by-shift basis.

Matrix recorded revenue of \$145.5 million for the year, a 4.7 per cent increase on revenue in FY12. This relatively flat revenue was a consequence of:

- i) lower than anticipated order conversion and short term demand for buoyancy products as the new build drill ship market recovered from a slump in 2012 caused by a delayed response to the global financial crisis;
- ii) disruption to production arising from restructuring the operating shift roster;
- iii) Slower penetration of the well construction market than was anticipated; and
- iv) The sustained high AUD relative to the USD.

Pleasingly, Matrix reported a positive EBITDA of \$7.5 million for FY13. While this was well below the Board's expectations it demonstrates the ability of the business to generate positive cash flow, even at output well below the total capacity of the plant.

It is commendable that this result was achieved by the Company with an LTIFR of zero across all sites. This is indicative of the strong safety culture that exists in the business.

Dividend Policy

While the Company has improved its earnings after a disappointing FY12, the Board has not proposed a dividend payment in respect of FY13.

The customer base for Matrix's principal buoyancy products has moved from OEMs to shipyards which require Matrix to provide substantial bonding/bank guarantees in favour of the customer. These bonding facilities require significant cash backing to secure and as a result, significant cash resources are required to be deployed to secure ongoing work. The Board anticipates being able to consider resuming dividend payments when the free cash generated by the Company improves above what is required for internal business purposes such as customer bonding and ongoing capital expenditure.

Corporate Governance

The Board of Matrix is committed to a high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. The Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Matrix's corporate governance practices are set out in the Corporate Governance Statement.

During FY13 the Board introduced a Diversity Policy and, while the targets set have not yet been reached, it is pleasing to report an improved level of gender diversity across the business over the past 12 months.

The Board continues to review and revise its governance practices to ensure that the Company is managed appropriately.

People, Safety and Culture

Over the past year, I have had the opportunity to spend time with a wide range of the people employed by Matrix across its various operating sites both in Australia and overseas. I am highly encouraged by the calibre and diversity of our employees, their commitment to the business and the manner in which they consistently strive to deliver outcomes for the business and its shareholders in line with the strategies we are

pursuing. This 'can do' attitude and focus on continuous improvement has been a significant factor in driving the business growth that has been achieved to date and will deliver improved performance into the future.

During the year Matrix has developed a brand and culture initiative to build on the competencies of the organisation and drive the business and organisational performance into the future. I am proud that this is an initiative that has been embraced and developed by the management and employees of Matrix as it is their efforts that will deliver the improved performance of the business in the future.

As noted earlier, the continuing strong safety performance of Matrix, is highly commendable. The reported LTIFR of zero across all sites is an important indicator of the strong safety culture that exists in the business.

Outlook

The Board has great confidence in the outlook for Matrix for FY14 and beyond. The macro indicators in terms of increased confirmed orders for new build drill ships, the aging of the existing buoyancy fleet and the forecast increase in onshore drilling in North America all support strong future demand for the Company's products.

While the macro indicators for buoyancy demand are all strong, it is important to recognise that Matrix's business model has changed over the past six months with less work being sourced from OEMs and a greater proportion of work being completed direct with shipyards. This transition is consuming a higher proportion of working capital than typical OEM contracts and as such, Matrix expects that its cash reserves will be adversely impacted in the current half. Matrix is working with its lenders to ensure this increase in working capital is adequately funded.

The Company's immediate focus is to rebuild its backlog of contracted work to provide revenue and earnings certainty. Once a strong and sustainable backlog has been established, Matrix will seek to improve profits through economies of scale at increased production rates, in order to deliver greater returns to shareholders.

Matrix continues to invest significant resources in developing new products to support the future growth of the Company. Ongoing research and development into material replacement (for syntactic foam products) as well as new cryogenic insulation and well construction products supports a pipeline of growth for the Company beyond the next financial year.

Conclusion

On behalf of the Board I express my thanks to all of the Matrix team for their efforts over the past 12 months. 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..

At this point I would also like to pay tribute to Nigel Johnson who has indicated his intention to retire from the Board once an appropriate candidate has been formally identified to replace him. Nigel has been an invaluable member of the Board and served with distinction as Chairman during the IPO process, as a member of both the Audit & Risk and Remuneration Committees and more lately as a non-executive director. Nigel's stewardship of the Board coincided with the rapid growth of the Company and the construction of the Henderson manufacturing facility. On behalf of the Board, management and shareholders, I thank Nigel for his contribution to Matrix and wish him well in the future. Once a new Board member is formally identified Matrix will advise the market accordingly.

Despite enduring difficult conditions, Matrix enjoys a world class syntactic foam plant, manufactures a world class, industry leading range of products and is exposed to highly favourable industries. The Board believes that the operational aspects of the business have now been stabilised and is confident that this stability, together with improving market demand for Matrix's products and services will lead to improved financial performance in FY14.

PETER J HOOD
Chairperson