

QUARTERLY UPDATE

Q2 FY14

Summary

- Production levels returning to higher rates
- Higher production output anticipated for 2H FY14 to support compressed delivery times
- Current order book increased to US\$88m
- Strong quoting activity continues for drilling riser buoyancy (including the replacement market) and SURF ancillary equipment
- Continued strong pipeline of work

Matrix

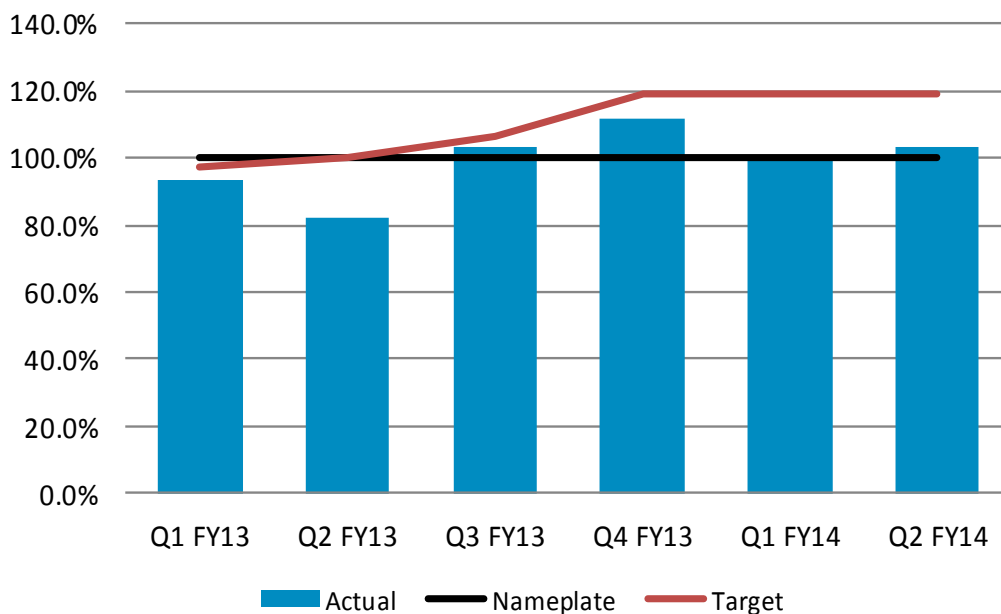
Composites & Engineering



Welcome to the Matrix Composites & Engineering 'Quarterly Update' for Q2 FY14. The update provides a snapshot of the Company's key business indicators including production rates, orders, quoting activity and product development, as well as the market outlook for the Company's products and services.

PRODUCTION

GRAPH 1 – Actual v Target Production Q1 FY13 – Q2 FY14 (Two Shift Roster)



Buoyancy production in Q2 FY14 improved over the previous quarter although levels remained below target rates due to a number of technically challenging projects. As these projects were completed towards the end of Q2 FY14, Matrix recorded higher levels of output.

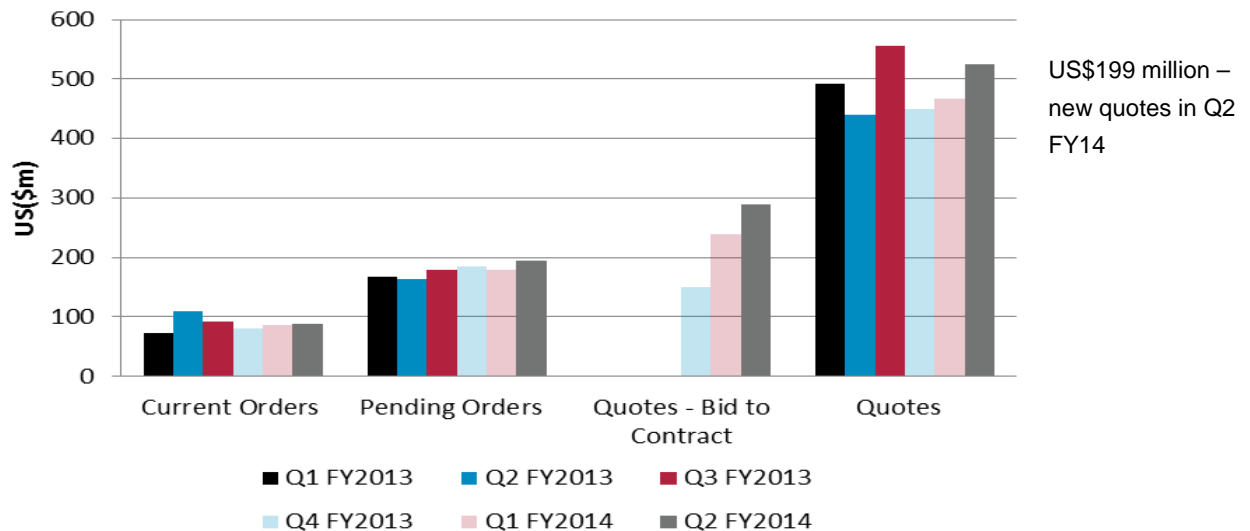
Due to the increase in current orders required for delivery by Q4 FY14, it is likely that Matrix will need to operate at accelerated output levels for the remainder of FY14 to meet client requirements.

The current order book notionally supports full production until the end of Q2 FY15, representing 12 months of contracted work.

Matrix maintains its focus on cost reduction and optimizing plant production output.

ORDER BOOK & PIPELINE

GRAPH 2 – Order Book, Pending Orders & Quotes (US\$) as at 31/12/13



- **Current order book** – increased slightly to US\$88 million due to ongoing order conversion driven in part by the compression of drillship delivery times and strong market conditions. The current order book notionally supports full production until the end of Q2 FY15.
- **Pending orders** – increased by eight per cent over the previous quarter to US\$194 million reflecting continued client quotation.
- **Quotes: Bid to Contract** - increased by 21 per cent over the previous quarter to US\$289 million in Q2 FY14. The high level of bid to contract tendering reflects an improvement in the quality of the quotation pipeline as this work is considered to have a greater likelihood of conversion into orders.
- **Quotes** – the value of outstanding quotations increased over the previous quarter to US\$524 million. Quoting activity remains at very high levels for drilling and SURF ancillary products, with new quotations for Q2 FY14 totaling US\$199 million, an increase of 16 per cent over the previous quarter.

High levels of quoting activity remain in-line with strong forecast demand for drillship orders (Graph 4 & 5) and options over the next five years, as well as the Company’s continued penetration of the SURF ancillary equipment and well construction market.

Current orders – the value of contracted work (where a purchase order (PO) has been received) that has not been produced

Pending orders – the value of contracts under negotiation where no formal PO has been received although Matrix has a high degree of confidence in securing the contract

Quotes: Bid to contract – a quotation to a client that has been awarded a defined work package

Quotes – the value of all contracts that Matrix has quoted on or responded to via tender (includes pending order book)

Drilling Products

Continued growth in the order book has been driven by a high level of order conversion for newbuild drilling riser buoyancy (DRB) as a result of compressed drillship delivery times and strong market conditions.

During the quarter, Matrix secured a large number of orders totaling US\$46 million from shipyard clients and new and existing original equipment manufacturers (OEMs). Matrix was also awarded a contract for the inspection and repair of riser buoyancy from a large offshore drilling company. The awarded work represents a new and potentially growing type of maintenance contract for the Company.

The two markets for drilling riser buoyancy (DRB); newbuild drillships and replacement DRB, remain strong as reflected in shipyard and OEM activity, as well as the Company's high level of quoting activity which will drive medium term demand for the product line.

Upstream SURF Ancillary Equipment

Current orders and quotations for Matrix's Subsea Umbilical, Riser and Flowline (SURF) ancillary equipment line remain strong from new and existing clients.

A strategically significant contract that was secured in Q1 FY14 to supply a large quantity of permanent production buoyancy for use on a major offshore project in Western Australia was revised in Q2 FY14 and significantly increased in value. The offshore structure is the largest of its kind in the world and will use syntactic foam as an alternative to steel pressure tanks for 40 year permanent immersion.

In Q2 FY14 Matrix secured a contract to supply a large quantity of installation buoyancy to a Malaysian oil and gas services provider. The buoyancy will be designed and rated to a depth of 3,000m, and supplied in a range of sizes.

Matrix also secured a contract to supply installation buoyancy for two vessels that will be used off the coast of Brazil.

Well Construction Products

Centralizer sales increased by 34 percent in Q2 FY14 over the previous quarter due to greater sales volumes and revenue from premium grade products.

Matrix was awarded a second contract for the supply of its ultra-low friction 'Revolution' centralizers to one of Russia's largest independent natural gas producers. This represents a new and growing market for Matrix's premium range of centralizers.

Matrix also secured a contract to supply a large quantity of its 'Pioneer' slim blade centralizers to a global energy and petrochemical company for use on a gas field off the coast of Western Australia.

Matrix expanded its well construction sales and distribution team in the USA and established a presence in Canada over the quarter. The Company continues to look at further opportunities to expand its distribution channel in North America which will aid in growing market share for its well construction product line.

Revenues from well construction products are expected to grow throughout the remainder of FY14 as the Company continues its move into the North American market via its new and expanding sales and distribution channels and as new products are developed and released

into the marketplace. The total market for centralizers remains strong and continues to grow with the discovery of new shale gas fields in North America, UK and Australia.

Matrix Offshore Services & Engineering (MOSE)

MOSE continued to develop its service and project delivery capabilities targeting the Western Australian offshore oil and gas market. These capabilities include those required throughout the large scale construction of FLNG facilities currently taking place in Australia.

MOSE provides services for subsea equipment and marine risers and integrates Matrix's product lines and technologies into larger project packages such as subsea mooring buoys and fabricated equipment.

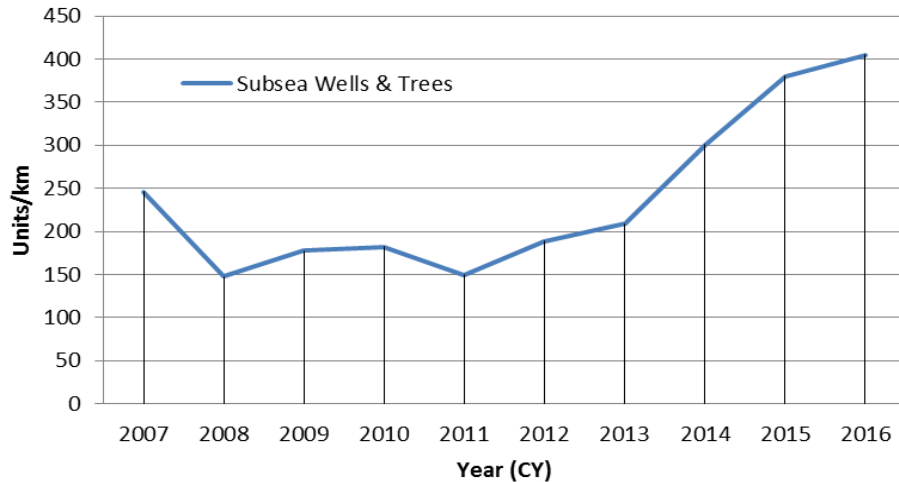
During the quarter, MOSE entered into an agency agreement with OilStates Industries Inc. for the exclusive distribution of their subsea pipeline and deepwater product range in Australia, NZ and PNG. The new agreement complements the Group's core service and manufacturing capabilities.

MACRO INDICATORS

Drilling Products

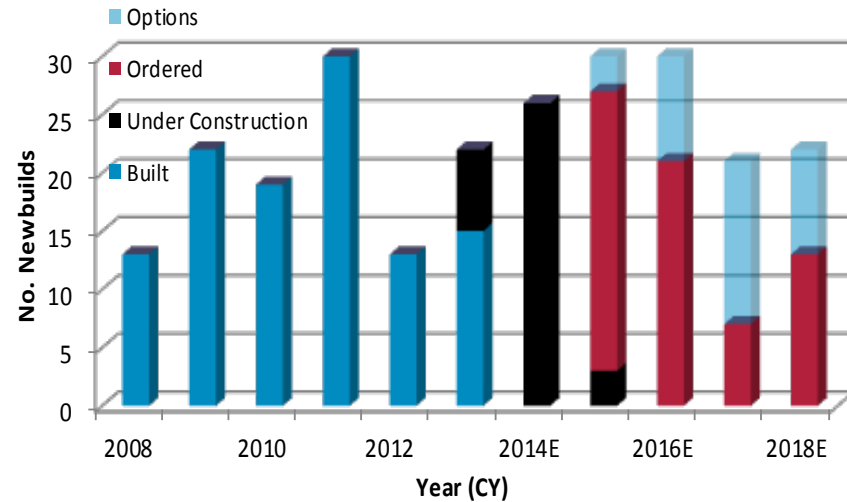
Data Source: Douglas-Westwood 2013

GRAPH 3: Subsea Wells & Trees – Global Capex – Units/km by Component

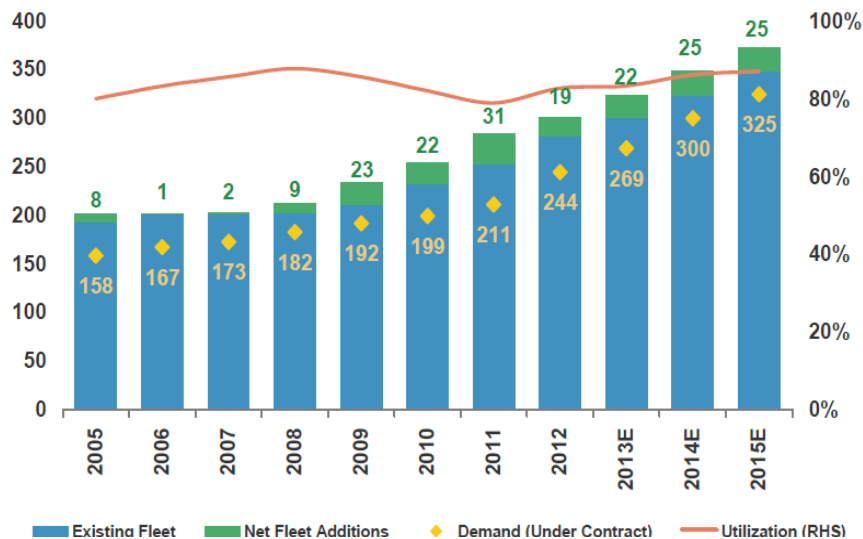


Source: Company Data, December 2013

GRAPH 4: World Number of Confirmed Newbuilds

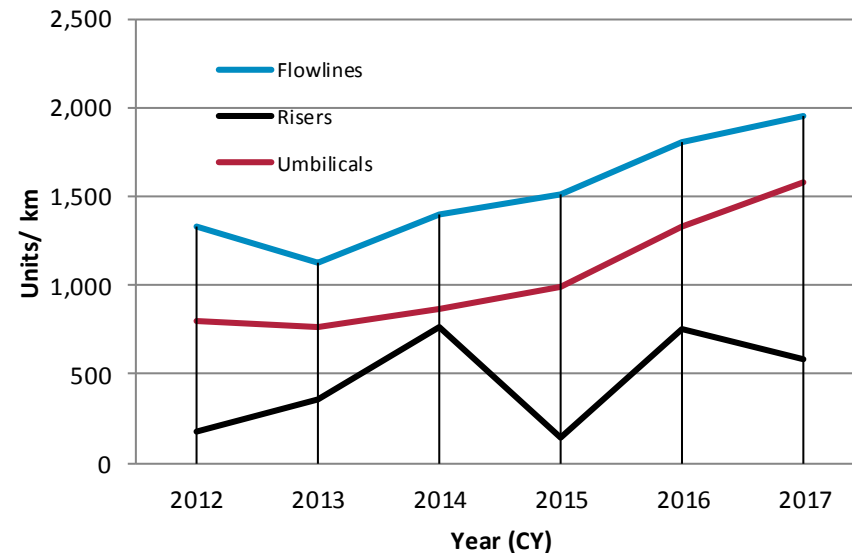


GRAPH 5: Floater Supply/ Demand (Under Contract)



SURF Ancillary Equipment

GRAPH 6: Global Capex – Units/ km by Component



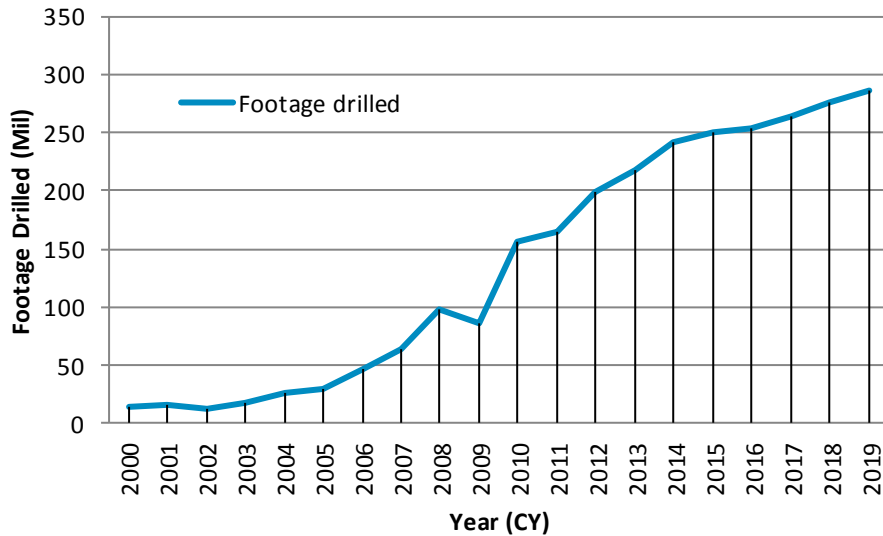
Source: Morgan Stanley, Global Oil Services, Drilling Equipment, September 2013

Source: Douglas-Westwood 2013

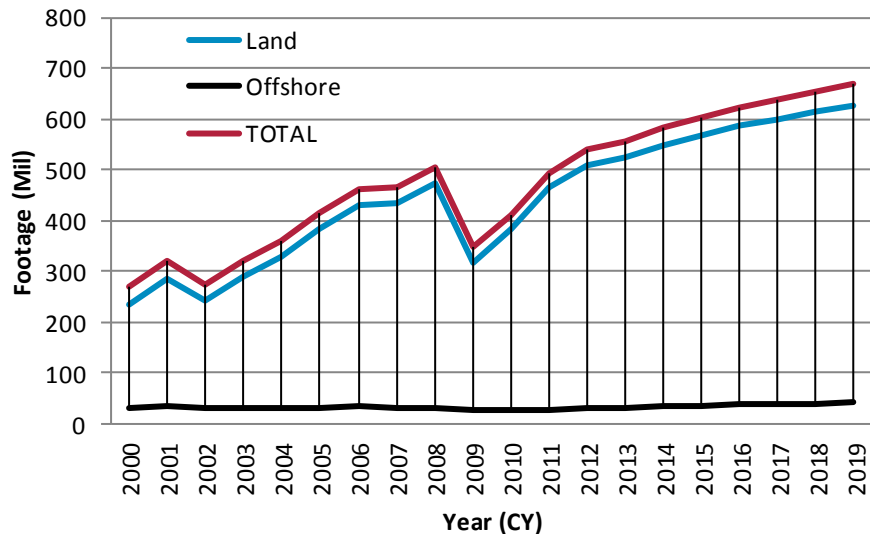
MACRO INDICATORS

Well Construction Products

GRAPH 7: US Drilling & Production Outlook – Horizontal Footage Drilled (Mil)



GRAPH 8: World Drilling & Production Outlook – Land & Offshore²



MACRO OUTLOOK

- The macro outlook for the oil and gas sector remains strong
- Drilling Products/ SURF ancillary products - the structural shift to deepwater drilling, subsea completions and production underpins the demand for Matrix's market leading buoyancy products.
- Drilling Products – the total number of subsea wells and trees (Graph 3) is expected to increase significantly from 2014 to 2016 which will drive long term demand for deepwater floaters (Graph 5). This increases demand for new riser buoyancy modules and their maintenance, repair and replacement, as well as the Company's range of SURF ancillary products. As portrayed in Graph 4, the world number of confirmed newbuilds is expected to increase significantly over the next five years.
- SURF Ancillary Products – deployment of subsea flowlines, risers and umbilicals (Graph 6) is forecast to increase over the next five years.
- Well Construction Products – total footage drilled, especially in the US, continues to increase significantly (Graph 7 & 8) which will drive demand for the Company's consumable well construction products designed for directional and horizontal wells.

Data Source: Baker Hughes, Spears & Associates, December 2013

¹ Excludes retirement of floaters

² Excludes Russia, China and Central Asia