

QUARTERLY UPDATE

Q3 FY14

Summary

- Production levels significantly increased with introduction of third shift in February
- Compressed customer delivery schedules driving current output
- Current order book stable at US\$86m
- Significant order conversion anticipated in next six months to meet drillship delivery schedules
- Strong quoting activity continues for drilling riser buoyancy (including the replacement market) and SURF ancillary equipment

Matrix

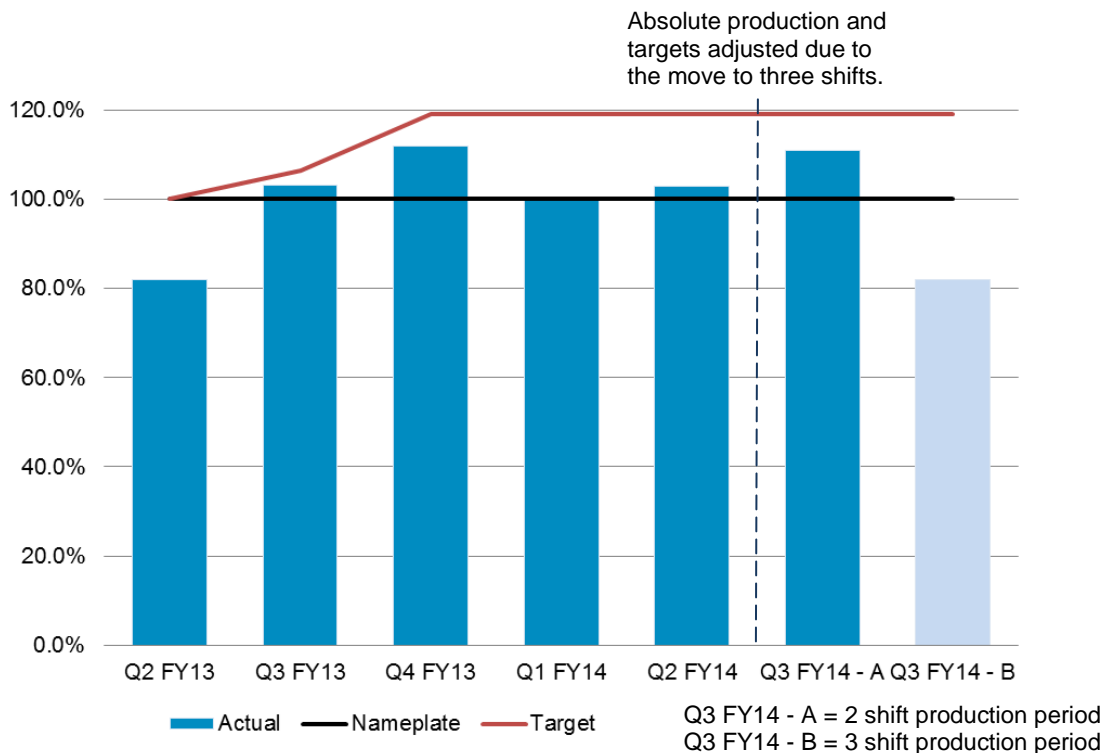
Composites & Engineering



Welcome to the Matrix Composites & Engineering 'Quarterly Update' for Q3 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 – Q3 FY14 (moved to three shift roster)



Production output during Q3 FY14 increased, compared to prior quarters, with the introduction of a third shift (from two shifts) in mid-February which is required to meet client delivery schedules. This overall increase in production would have been greater but for the extended Christmas shutdown period in January. Absolute output increased by 35 per cent in Q3 FY14 relative to Q2 FY14 as a result of this change.

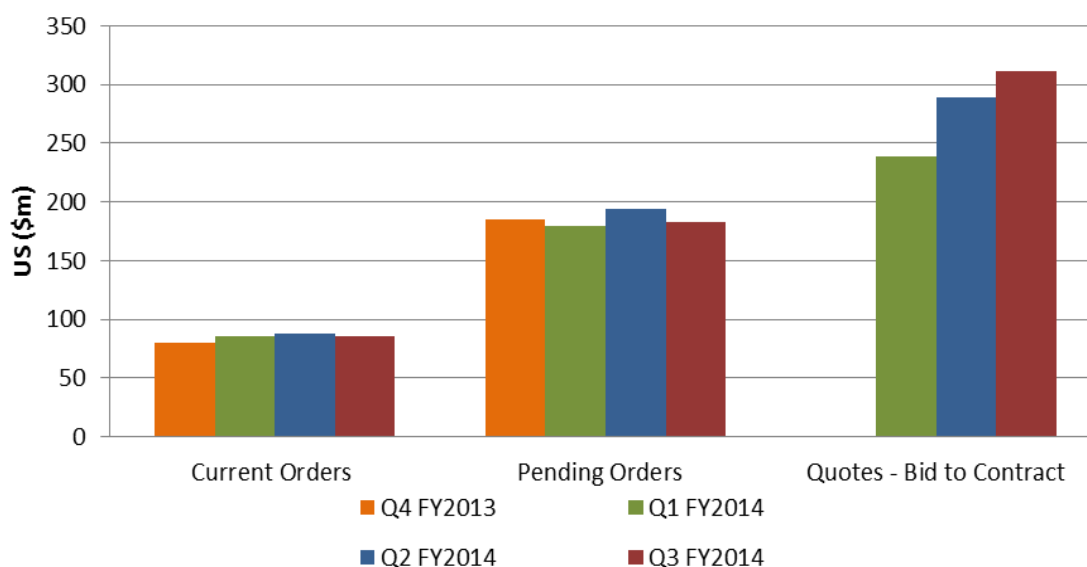
The ramp-up to nameplate production targets exceeded management expectations; nameplate production was achieved in March and target output exceeded, on a daily basis, in early April 2014. The below nameplate production in Q3 FY14, as illustrated in the above chart (namely Q3 FY14 – B), reflects the introduction of the additional third shift, the re-setting of targets which accompanies this additional shift, and the lost production during ramp-up.

Matrix expects to continue operating at three shifts for the foreseeable future, with sufficient contracted and anticipated work that will maintain output levels until at least Q2 FY15.

Matrix has maintained its focus on cost reduction and optimising plant production output. A number of plant optimisation opportunities have been identified and will be subject to engineering feasibility over the next 12 months.

ORDER BOOK & PIPELINE

GRAPH 2 – Order Book, Pending Orders & Quotes (US\$) as at 31/3/14



- **Current order book** – decreased slightly to US\$86 million, with US\$31 million in new orders secured (comprising US\$29 million for drilling products and US\$2 million for SURF). Some short-term slippage on order conversion was experienced which, as a result, has increased expectations of order confirmations for Q4 FY14. Since the end of Q3 FY14 an additional US\$13 million in orders have been confirmed.
- **Pending orders** – reduced by five per cent over the previous quarter to US\$183 million as orders were confirmed and converted to the order book. A significant value of pending orders is expected to be placed in the near term.
- **Bid to contract quotations** – increased by eight per cent over the previous quarter to US\$312 million in Q3 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.

High levels of quoting activity remain in-line with strong forecast demand for drillship orders (Graphs 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. Total quotations increased by nine per cent over the previous quarter to US\$571 million in Q3 FY14.

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

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

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

Drilling Products

In Q3 FY14 Matrix received orders for approximately US\$29 million. This was below expectation and lower than Q2 FY14, as customers delayed placing orders due to a combination of slippage in delivery dates for existing contracted drill ships from shipyards and the compression in the time required to manufacture drilling riser buoyancy (mainly as a result of the capacity of Matrix's Henderson facility).

Matrix remains confident of converting significant opportunities that are required to meet shipyard delivery schedules which will support Matrix's production schedule throughout FY15. Since Q3 FY14 Matrix has secured US\$13 million of new orders, which increases the notional order book to US\$99 million. New orders continue to be sourced primarily from the new build sector, however increasing enquiry levels from the replacement market indicate a growing proportion of work from this segment.

Matrix is also working to secure several major new pipelines of work, with an increase in interest from ship yard customers in South East Asia and North Asia.

Upstream SURF Ancillary Equipment

In Q3 FY14 Matrix secured two new orders for installation buoyancy required for the Australian market. This represented repeat business with the client in FY14 for a significant additional set of contracts.

Outside Australia, a new order was placed by a Malaysian marine contractor for installation buoyancy at a local Malaysian project. Matrix is also targeting a further contract for installation buoyancy in Q4 FY14, with the majority to be completed and supplied within FY14.

Matrix has commenced work to expand the range of approved buoyancy applications in the SURF market with major operators and contractors globally. This will allow a larger diversification of products to be supplied for long-term, deep-water flexible and production riser projects.

Well Construction Products

Matrix generated sales of centralisers and other well construction products in markets such as Australia, Thailand, and Saudi Arabia. However, overall centralizer sales in Q3 FY14 were 14 per cent lower than the previous quarter due to extreme weather conditions significantly impacting drilling activity in the north-eastern states of the USA.

During Q3 FY14, Matrix finalised the appointment of a distributor for the Canadian market which, by utilising the distributors' well established industry network, is expected to increase the exposure of its range of low-friction advanced polymer centralizers and allow inventory to be located closer to Canadian operations.

As a result of research and development activities conducted over the past six months, Matrix is currently concluding testing of an improved low-friction polymer material that further enhances the strength and low-friction properties of its 'Pioneer' polymer centralizer. Field trials of this improved centralizer are scheduled to take place in the first part of Q4 FY14 and, if successful, will provide Matrix with an improved product for demanding operations that require a low-friction, superior strength centralizer to meet customer objectives.

Matrix Offshore Services & Engineering (MOSE)

MOSE continues to be challenged by declining fabrication and machining revenue from the mining sector. During Q3 FY14 MOSE continued efforts to right-size the business to support sustainable levels of revenue while maintaining capabilities in its maintenance and project management services offerings. MOSE is focussed on providing integrated solutions in three key areas:

1. Tubular Fabrication: including conductors, connectors and drilling riser inspection maintenance and repairs (IMR).
2. Subsea Engineered Products and Services: including intervention, IMR and mooring installation.
3. Other Solutions: including drilling products and well construction products.

This capability and capacity is supported with engineering and project management, which will allow MOSE to participate in large scale oil and gas construction projects taking place in Australia and globally.

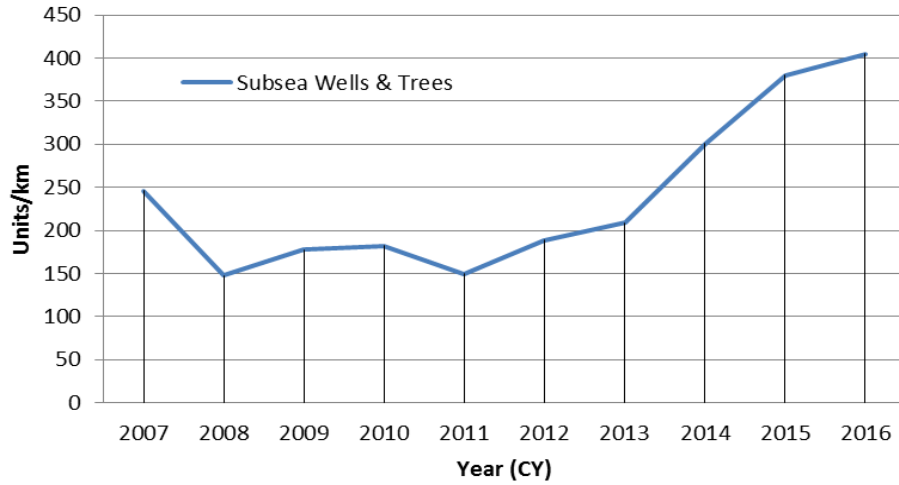
MOSE continued to target the offshore oil and gas sector in the quarter, particularly in the Western Australian offshore region and is confident of securing traction of enhanced commitments from emerging opportunities in this region.

MACRO INDICATORS

Drilling Products

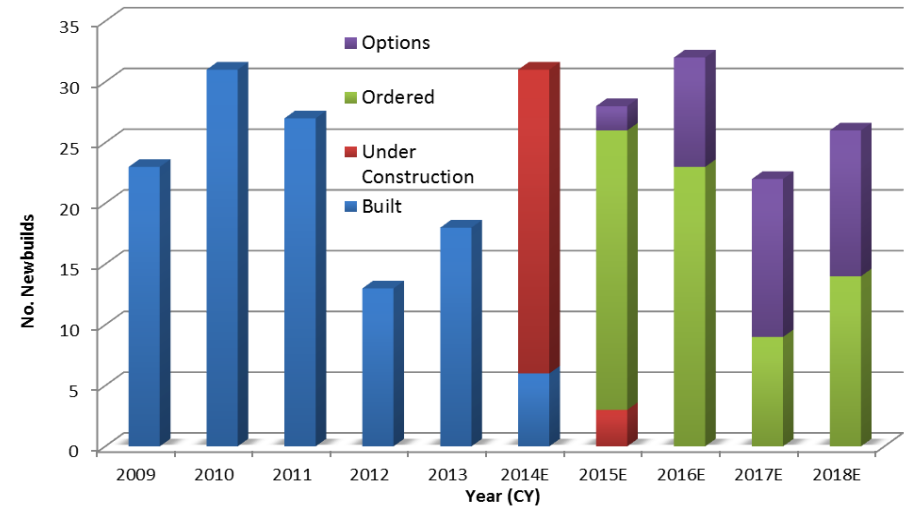
Data Source: Douglas-Westwood 2013

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

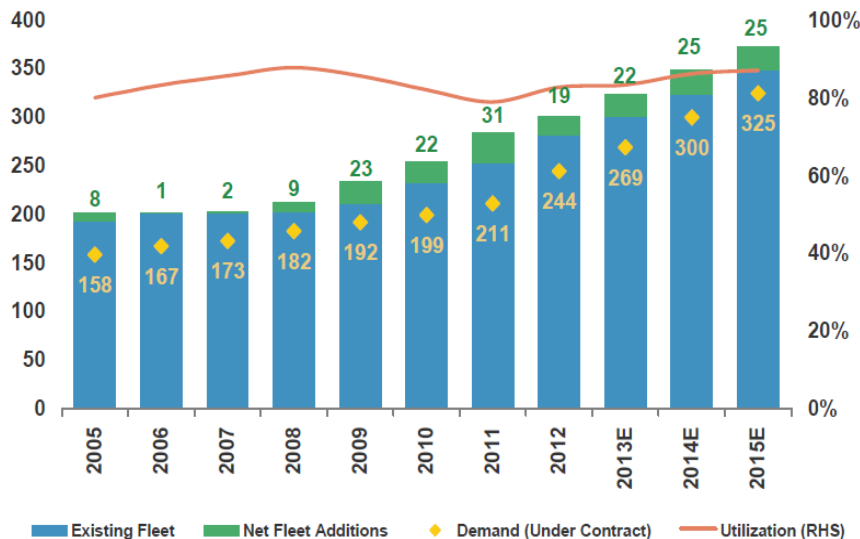


Source: Company Data, March 2014

GRAPH 4: World Number of Confirmed Newbuilds

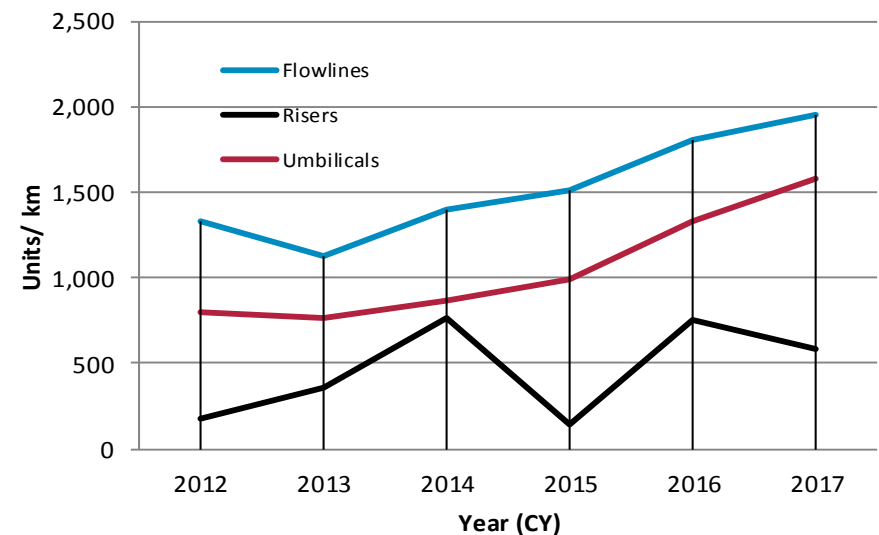


GRAPH 5: Floater Supply/ Demand (Under Contract)



SURF Ancillary Equipment

GRAPH 6: Global Capex – Units/ km by Component



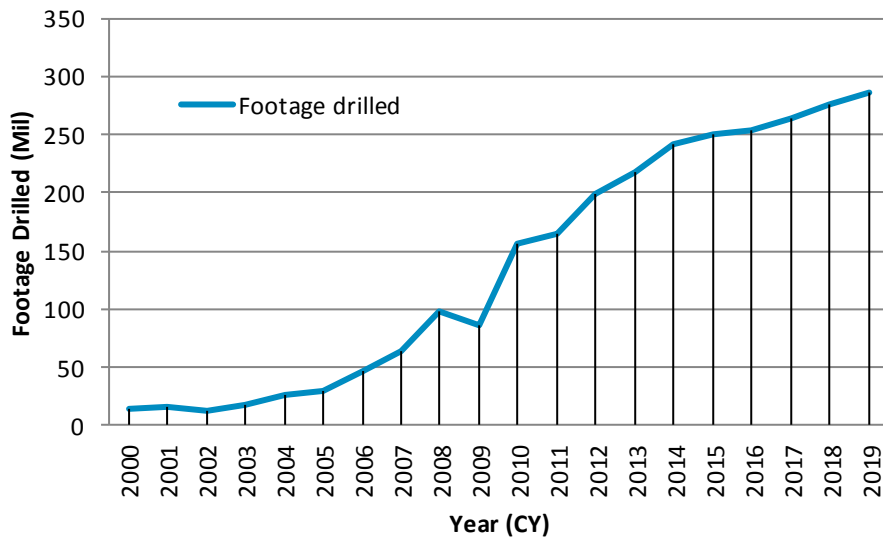
Source: Morgan Stanley, Global Oil Services, Drilling Equipment, September 2013

Source: Douglas-Westwood 2013

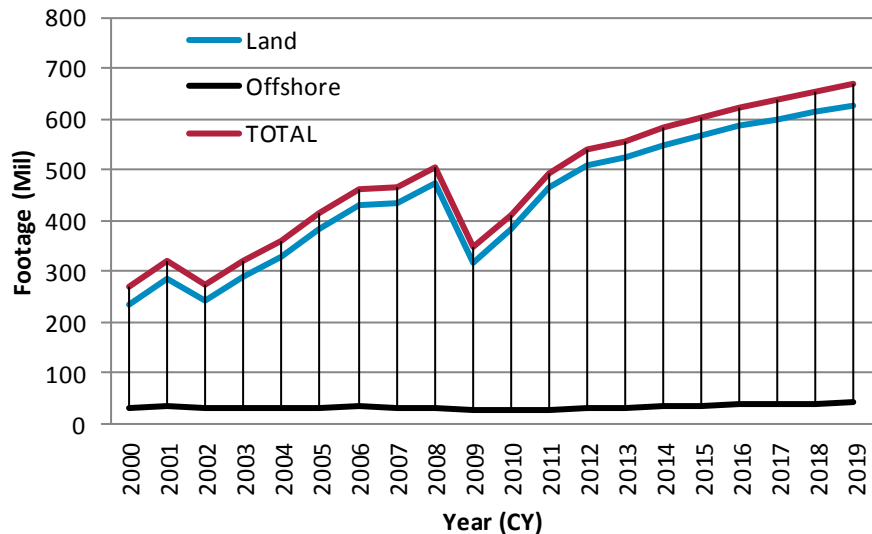
MACRO INDICATORS

Well Construction Products

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



GRAPH 8: World Drilling & Production Outlook – Land & Offshore¹



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 Russia, China and Central Asia