
MATRIX COMPOSITES & ENGINEERING LTD

ACN 009 435 250

NOTICE OF GENERAL MEETING

TIME: 9.30am (AWST)

DATE: Thursday, 25 June 2015

PLACE: The AMC Jakovich Centre, Carnac Island Room
4 McGrath Road, Henderson, Western Australia 6166

This is an important document and should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of General Meeting please contact the Company Secretary on (+61 8) 9412 1200.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting (**Meeting**) of the Shareholders to which this Notice relates will be held at 9.30am (AWST) on Thursday, 25 June 2015 at:

The AMC Jakovich Centre, Carnac Island Room, 4 McGrath Road, Henderson, Western Australia 6166.

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Meeting on the date and at the place set out above.

VOTING BY PROXY

To appoint proxies a proxy form must be signed by the Shareholder or their attorney. If the member is a corporation the proxy form must be signed in accordance with the Corporations Act or under the hand of its attorney or duly authorised officer. Completed proxy forms must be sent to Link Market Services Limited at the address specified on the enclosed proxy form. Forms must be received by no later than 9.30am (AWST) on Tuesday, 23 June 2015.

If you are a Shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Meeting.

A proxy need not be a Shareholder of the Company.

A Shareholder who is entitled to cast two or more votes may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the Shareholder's votes.

To vote by proxy, please complete and sign the enclosed proxy form and return by:

- (a) post to the Company's share registry, Link Market Services Limited at Locked Bag A14, Sydney South NSW 1235 or deliver to Link Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138; or
- (b) facsimile to the Company's share registry, Link Market Services Limited on facsimile number (+612) 9287 0309; or
- (c) online by visiting www.investorcentre.linkmarketservices.com.au. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website,

so that it is received not later than 9.30am (AWST) on Tuesday 23, June 2015.

Proxy forms received later than this time will be invalid.

CORPORATE REPRESENTATIVES

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Meeting. The appointment of the representative must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment as the body corporate's representative, including any authority under which the appointment is signed. Unless the appointment states otherwise, the representative may exercise on the body corporate's behalf all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. Shareholders can download and fill out the 'Appointment of Corporate Representative' form from the website of the share registry of the Company – www.linkmarketservices.com.au (under 'Investor Services' then 'Forms').

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Matrix Composites & Engineering Ltd will be held at 9.30am (AWST) on Thursday, 25 June 2015 at the AMC Jakovich Centre, Carnac Island Room, 4 McGrath Road, Henderson, Western Australia 6166.

The Explanatory Statement to this Notice of General Meeting (**Notice**) provides additional information on matters to be considered at the General Meeting (**Meeting**). The Explanatory Statement and the proxy form are part of this Notice.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at 5.00pm (AWST) on Tuesday, 23 June 2015.

Terms and abbreviations used in this Notice are defined in the Glossary.

AGENDA

RESOLUTION 1 – APPROVAL OF THE MATRIX RIGHTS PLAN

To consider and, if thought fit, pass the following resolution as an **ordinary resolution** of the Company:

That, for the purposes of Exception 9(b) of ASX Listing Rule 7.2, section 260C(4) of the Corporations Act 2001 (Cth) and for all other purposes, the Matrix Rights Plan, the terms and conditions of which are summarised in the Explanatory Statement which forms part of this Notice of Meeting, be approved.

RESOLUTION 2 – GRANT OF SHARE APPRECIATION RIGHTS TO MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER AARON BEGLEY

To consider and, if thought fit, pass the following resolution as an **ordinary resolution** of the Company:

That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the Managing Director and Chief Executive Officer Aaron Begley of 592,593 Share Appreciation Rights under the Matrix Rights Plan, on the terms described in the Explanatory Statement which forms part of this Notice of Meeting, be approved.

RESOLUTION 3 – REPEAL AND REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, pass the following resolution as a **special resolution** of the Company:

That, in accordance with section 136(2) of the Corporations Act 2001 (Cth), the Constitution of the Company be repealed and replaced with a new Constitution in the form of the document titled "Constitution of Matrix Composites & Engineering Ltd" tabled at this General Meeting and signed by the Chairperson for the purposes of identification at the Meeting, with effect from the close of the Meeting.

VOTING EXCLUSION STATEMENTS FOR RESOLUTION 1 AND RESOLUTION 2

Under ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolutions 1 and 2 by the following persons:

| RESOLUTION | PERSONS EXCLUDED FROM VOTING |
|-----------------------------------|---|
| 1. Approval of Matrix Rights Plan | <ul style="list-style-type: none">Any Director of the Company (except one who is ineligible to participate in any |

| | |
|---|--|
| | employee incentive scheme in relation to the entity) and any associate of such Director. |
| 2. Grant of Securities to Mr Aaron Begley | <ul style="list-style-type: none"> • Mr Aaron Begley • Any of his associates |

However, the Company need not disregard a vote cast on Resolutions 1 and 2 if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides and the appointment expressly authorises the Chairperson of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

The Chairperson of the Meeting will vote any undirected proxies in favour of Resolutions 1 and 2.

Voting on Resolution 1 and Resolution 2

Subject to the following paragraph, section 250BD(1) of the Corporations Act prohibits a KMP or a Closely Related Party of a KMP voting as a proxyholder on a resolution connected directly or indirectly with the remuneration of a KMP where the proxy appointment does not specify how the proxyholder is to vote on the resolution.

If a Shareholder appoints a KMP (which includes each of the Directors) or a Closely Related Party of a KMP as proxy, the KMP or the Closely Related Party will not be able to cast the Shareholder's votes as proxy on Resolution 1 or Resolution 2 unless the Shareholder directs the KMP or the Closely Related Party how to vote or the Chairman of the meeting is the Shareholder's proxy.

If a Shareholder appoints the Chairperson of the Meeting as their proxy or the Chairperson of the Meeting is appointed as the Shareholder's proxy by default, and the Shareholder does not mark a voting box for Resolution 1 or Resolution 2, then by signing and returning the proxy form, the Shareholder will be expressly authorising the Chairperson of the Meeting to exercise the proxy in respect of the relevant resolution even though the resolution is connected with the remuneration of the KMP.

DATED: 8 MAY 2015

BY ORDER OF THE BOARD

**MIKE KIRKPATRICK
MATRIX COMPOSITES & ENGINEERING LTD
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders to understand the business to be put to Shareholders at the General Meeting to be held at 9.30am (AWST) on Thursday, 25 June 2015 at the AMC Jakovich Centre, Carnac Island Room, 4 McGrath Road, Henderson, Western Australia 6166.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be important to Shareholders in deciding whether or not to pass the resolutions in the Notice of General Meeting.

Resolutions 1 and 2 are to be voted on as ordinary resolutions. An ordinary resolution requires approval by a simple majority of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution.

Resolution 3 is to be voted on as a special resolution. A special resolution requires approval by at least 75 per cent of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution.

RESOLUTION 1 – APPROVAL OF THE MATRIX RIGHTS PLAN

The Board is seeking Shareholder approval to issue Rights under the Matrix Rights Plan (**the Rights Plan**) in accordance with Exception 9(b) of Listing Rule 7.2 so that any Rights and Shares issued under the Rights Plan will be excluded from the calculation of the number of equity securities that may be issued by the Company under Listing Rule 7.1, for a period of three years from the date of approval.

The Company will only be able to rely on Exception 9(b) of Listing Rule 7.2 if there has been no change to the terms of the securities to be issued, the mechanism for pricing or payment or any other material terms of the Rights Plan. Any securities issued following material changes to the Rights Plan will not have the benefit of Exception 9(b) of Listing Rule 7.2 until the revised plan is approved by Shareholders.

Shareholder approval of the Rights Plan is also sought to obtain the benefit of the exemption in section 260C(4) of the Act for financial assistance provided under an employee share scheme approved by shareholders.

The Board, following a recommendation from the Remuneration Committee, has determined to introduce a long term incentive plan – the Matrix Rights Plan. The Plan is designed to provide the opportunity to employees to acquire Matrix Shares and thus assist with:

- attracting, motivating and retaining employees;
- delivering rewards to employees for individual and Company performance;
- giving employees the opportunity to become shareholders; and
- aligning the interests of employees and shareholders.

Under the Rights Plan, the Board will be able to grant appropriately structured long-term incentive awards to eligible participants, including senior executives. In general, the Board will invite those executives and employees to participate in the Plan who have capacity to impact the long term performance of the Company.

Any incentives granted to eligible participants under the Rights Plan will only vest on the satisfaction of appropriate vesting conditions. The Board may determine vesting conditions, which may include performance and/or service conditions that must be satisfied before the Performance Rights vest.

The vesting conditions will be measured and tested over a period determined by the Board. It is intended that the vesting period will be a period of three years.

The Board wishes to encourage personnel to participate in awards under the Rights Plan so that they can share in the growth of the Company.

A copy of the terms and conditions of the Rights Plan is available at the Company's website www.matrixengineered.com.

1.1. Key Terms of the Matrix Rights Plan

Under the Rights Plan, the board has the power to determine the key terms and conditions of any Rights granted under the Plan.

Rights granted under the Plan may be in the form of Performance Rights or Share Appreciation Rights.

Performance Rights (**PRs**) are entitlements to acquire a Share on the basis of one Share for each Performance Right that vests upon satisfaction of the relevant vesting conditions and other terms and conditions determined by the Board under the Plan.

Share Appreciation Rights (**SARs**) are entitlements to acquire a number of Shares equal to the growth in the value of the underlying Shares (if any) upon satisfaction of the relevant vesting conditions and other terms and conditions determined by the Board under the Plan.

The Rights Plan will be administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and formulate special terms and conditions (subject to the Listing Rules) in addition to those set out in the Rights Plan.

Each employee who is granted Rights under the Rights Plan becomes a Participant in the Rights Plan. It is the intention that Share Appreciation Rights will only be granted to senior executives.

An offer by the Board of a Rights grant will contain minimum information including the following:

- the number of Rights, or the method/formula determining the Rights awarded;
- date of grant;
- the type of Rights being awarded and number of shares, or a formula to determine the number of shares, to be allocated upon vesting;
- any amount payable in respect of a grant of Rights;
- any conditions that must be satisfied, including performance and/or service conditions, and the applicable period;
- the testing dates of any applicable conditions;
- any disposal restrictions that apply to shares allocated upon vesting;
- whether Rights may be settled in cash at the discretion of the Board;
- the date on which unvested Rights will lapse or expire; and
- any conditions that will result in the forfeiture of a Right.

The following terms apply to all Rights granted under the Plan.

Rights do not carry any dividend or voting rights.

Rights will be subject to the specific terms and conditions under which they have been issued, until a Share issued under the relevant plan is:

- registered in the name of the holder; and
- not subject to any vesting conditions.

The Board can determine at its absolute discretion to satisfy any obligation under the Rights Plan by acquiring existing Shares on-market, issuing new Shares, cash settling the value of an obligation or a combination of all three.

The Company will apply for quotation on the official list of ASX of Shares issued in satisfaction of its obligations under the Rights Plan subsequent to vesting of a Right under the Rights Plan, as soon as practicable after the issue of those Shares to a participant. The Company will not seek quotation of any Rights.

Should the Company undergo a reorganisation or reconstruction of capital the Rights will be adjusted to ensure the value of the Rights is not diminished as a result of that capital reconstruction or reorganisation. In the event of a bonus or rights issue, the Board may exercise its discretion to ensure a Rights holder does not enjoy a windfall gain or suffer a material detriment. Any adjustment will be subject to the Listing Rules.

Where the Company divests or disposes of a material business or subsidiary, the Board may vary the terms of Rights to take into account that divestment/disposal.

In the event of a change of control, the Board has discretion to determine the treatment of Rights and the timing of that treatment, which may include that the Rights:

- vest, whether or not conditions have been met;
- lapse or are forfeited;
- remain subject to conditions and/or periods, or subject to varied conditions and/periods; or
- may only be settled in cash, or securities other than Matrix shares.

In making such a determination, the Board may have regard to any factors that the Board considers relevant, including the performance period elapsed at the time of the event, the extent to which the vesting conditions have been satisfied at the time of event and the circumstances of the event.

Rights granted under the Plan are not transferable or assignable without the consent of the Board or upon death to a Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.

Hedging

Rights holders are not permitted to enter into any scheme or arrangement which would hedge the economic benefit that may be earned from the Rights.

Termination

Where a participant ceases employment with the Company prior to Performance Rights vesting, the treatment will depend on the circumstances of cessation.

Where the participant ceases employment due to resignation or termination for cause, all unvested Performance Rights will lapse at cessation.

Where a participant ceases employment for any other reason prior to Rights vesting, the unvested Rights will generally continue on-foot and be tested at the end of the original vesting date against the relevant vesting conditions. However, the Board has discretion to apply another treatment that it deems appropriate in the circumstances (including that another number of Performance Rights may vest either at cessation or at the end of the original vesting date, or that some or all of the Performance Rights lapse).

Claw-back

The Board retains the power to “claw back” any benefit obtained under the grant of Rights where the vesting of an award is determined to have been based on fraud or dishonesty of the relevant participant.

The Board intends to offer three types of grants under the Rights Plan to certain professional staff, senior management and senior executives of Matrix. These are summarised below.

Valuation

The Performance Rights and Share Appreciation Rights contemplated by the Rights Plan have been subject to a valuation report by Ernst & Young dated 13 March 2015.

Ernst and Young valued the awards as at 11 September 2014, in advance of the grant date (which, if resolution 1 is approved by shareholders, will be as soon as practicable after this meeting), and used the 28 calendar day volume weighted average market price (**VWAMP**) as the share price in the valuation.

For accounting purposes the PRs and SARs will need to be revalued following the grant date, and that value will depend, among other things, on the share price at that grant date.

Ernst & Young has assessed the value of the PRs and SARs proposed to be issued under the Rights Plan as follows:

| Instrument | Plan Type | Performance Hurdle | Value |
|----------------------------------|-----------------------|--|--------------|
| Performance Rights | Management Plan | Service Condition | \$0.97 |
| Performance Rights | Executive Plan | Relative TSR and Service Condition | \$0.62 |
| Performance Rights | Senior Executive Plan | | \$0.62 |
| Share Appreciation Rights | Senior Executive Plan | Relative TSR, Share Price Hurdle and Service Condition | \$0.27 |

1.2 Management Plan – Performance Rights

The Management Performance Rights Plan (**MPRP**) will be open to certain professional staff with two or more years' service with Matrix, any grant to be wholly at the discretion of the Board.

Eligible Participants will be offered a grant of Performance Rights in dollar value terms up to but not exceeding \$2,000. Performance Rights granted under the MPRP will be subject to a vesting condition of a three year service period from 1 July 2014.

Upon vesting, the Performance Rights will convert to Matrix fully paid ordinary shares on a one for one basis, or a cash equivalent, at the discretion of the Board. Any shares

transferred to MPRP participants on conversion of Performance Rights may be acquired on-market or by way of a new issue of shares.

For example, an Eligible Participant receiving the maximum grant of \$2,000 will receive 2,062 Performance Rights ($\$2,000 \div \0.97). Should the service condition be met, the Performance Rights will convert into 2,062 Shares in Matrix, or a cash equivalent (subject to Board discretion). If the service condition is not met, the Performance Rights will lapse.

1.3 Executive Plan – Performance Rights

The Executive Performance Rights Plan (**EPRP**) will be open to executives who are not participants in the Senior Executive Plan (refer section 1.4 below) with two or more years' service with Matrix, any grant to be wholly at the discretion of the Board.

Eligible participants will be offered a grant of Performance Rights in dollar value terms up to but not exceeding \$10,000. Performance Rights granted under the EPRP will be subject to the following vesting conditions:

- three year service period from 1 July 2014; and
- Total Shareholder Return (**TSR**) target based on a TSR comparator group comprising the ASX 300 group of companies as follows:

| TSR Target achieved during performance period | % of Performance Rights vested |
|---|--------------------------------|
| 75% and over | 100% |
| 50 – 75% | 50 – 100% on sliding scale |
| Below 50% | Nil |

For example, an Eligible Participant receiving the maximum grant of \$10,000 will receive 16,129 Performance Rights ($\$10,000 \div \0.62). Should the vesting conditions be met, the Performance Rights will convert into 16,129 Shares in Matrix, or a cash equivalent (subject to Board discretion). If the vesting conditions are not met, the Performance Rights will lapse.

1.4 Senior Executive Plan – Senior Executive Performance Rights Plan (SEPRP) & Senior Executive Share Appreciation Rights Plan (SESARP)

Under the SEPRP and SESARP senior executives¹ will be offered an annual dollar value grant in accordance with the terms of their respective Executive Service Agreements, which they may allocate to participate in the SEPRP or the SESARP. A participant may elect to allocate up to a maximum of 50 per cent of the grant entitlement to the SEPRP.

The first grant under the SEPRP and SESARP will be in respect of executives employed under current executive service agreements which have three year terms and expire on 31 August 2015. It is anticipated that in future years grants will be made on an annual basis.

1.4.1 SEPRP

Rights granted under the SEPRP will be subject to the following vesting conditions:

- three year service period from 1 July 2014; and

¹ Persons whose employment is governed by an Executive Services Agreement.

- TSR target based on TSR comparator group of companies (ASX300) as follows:

| TSR Target achieved during performance period | % of Performance Rights vested |
|--|---------------------------------------|
| 75% and over | 100% |
| 50 – 75% | 50 – 100% on sliding scale |
| Below 50% | Nil |

For example, an Eligible Participant receiving an indicative annual grant value of \$20,000 will receive 32,258 Performance Rights ($\$20,000 \div \0.62). Should the vesting conditions be met, the Performance Rights will convert into 32,258 Shares in Matrix, or a cash equivalent (subject to Board discretion). If the vesting conditions are not met, the Performance Rights will lapse.

1.4.2 SESARP

Under the SESARP, Share Appreciation Rights will be issued to participants. SARs are an entitlement to a number of Shares equal to the growth in value of the underlying Shares, or to receive a cash equivalent value on terms and conditions determined by the Board.

SARs granted under the SEPRP will be subject to the following vesting conditions:

- three year service period from 1 July 2014; and
- the same TSR target as applies to the Rights (refer section 1.4.1 above).

Upon vesting of any SARs, participants will be issued with Shares or the cash equivalent equal to the value derived by multiplying the number of vested Rights by the growth in share price over the performance period, determined by the MCE share price growth over and above the hurdle share price. The hurdle share price will be based on the growth rate for the ASX300 Accumulation Index over the five years prior to the grant date of the Rights.

For example, an Eligible Participant receiving an indicative annual grant value of \$20,000 will receive 74,074 SARs ($\$20,000 \div \0.27) which, should the vesting conditions be met, convert into a number of ordinary fully paid shares in Matrix dependent upon the range of share price outcomes set out below, or a cash equivalent (subject to Board discretion).

| Target Future Share Price | \$1.00 | \$2.00 | \$3.00 |
|----------------------------------|---------------|---------------|---------------|
| Grant Value | \$20,000 | \$20,000 | \$20,000 |
| SAR value | \$0.27 | \$0.27 | \$0.27 |
| SARs granted | 74,074 | 74,074 | 74,074 |
| Hurdle Price | \$1.39 | \$1.39 | \$1.39 |
| Share Price Uplift | Nil | \$0.61 | \$1.61 |
| Benefit | Nil | \$45,185 | \$119,259 |
| Matrix share conversion | Nil | 22,592 | 39,753 |

If the vesting conditions are not met, all benefits under these rights will lapse.

For example, the maximum number of SARs that may be offered under the Senior Executive Plan for the current three-year grant period, including the proposed grant to Aaron Begley under Resolution 2, is one million ($\$270,000 \div \0.27) collectively which will constitute approximately 0.4 per cent of the current issued share capital of the Company

(assuming the assessed VWAMP of Matrix shares is \$2.00 at the testing date and all Shares required to satisfy the obligation under the SARs are purchased on-market).

As this is a new plan, no Rights or Shares have been issued under the Plan.

The Board (with Mr Aaron Begley abstaining) recommends that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 – GRANT OF SHARE APPRECIATION RIGHTS UNDER THE MATRIX RIGHTS PLAN TO MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER AARON BEGLEY

ASX Listing Rule 10.14 provides that a listed company must not permit a Director to acquire securities under an employee incentive scheme without the approval of shareholders by ordinary resolution.

Resolution 2 seeks the approval of Shareholders to the proposed grant under the Matrix Rights Plan to the Company's Managing Director and Chief Executive Officer Aaron Begley of Share Appreciation Rights (**SARs**), as part of his Senior Executive Plan entitlement to the SESARP.

Subject to approval by Shareholders, the Board proposes that in respect of the 2015 Financial Year Mr Begley be issued with 592,593 SARs under the Rights Plan. Based on Ernst & Young's determination that each SAR has a value of \$0.27 as at 11 September 2014, the value of the proposed grant of SARs to Mr Begley is \$160,000.

No amount will be payable in respect of the allocation of SARs, nor in respect of any Shares allocated upon vesting of the SARs.

In order to provide a long-term incentive which aligns employees with the Company's strategies the Rights Plan has been established to allow the Board to grant performance-based awards. The Rights Plan has been designed to provide for the offer of Rights (in the form of Performance Rights or SARs) structured with performance conditions that align with the Company's key business drivers at the time of award. Approval of that plan is the subject of Resolution 1 contained in this Notice and further details regarding the Rights Plan, including the terms of the Rights Plan, are set out in section 1 of this Explanatory Statement.

The Board believes that appropriately designed equity-based plans are an important component of the Company's remuneration structure. Such plans are a key element in attracting and retaining talented employees, including senior executives, and ensure the interests of employees are aligned with those of Shareholders in creating long-term Shareholder value.

In the Board's view, the terms of the SARs and the vesting conditions link the ultimate value of the SARs to the sustained growth of the Company and provide an appropriate incentive for Mr Begley to ensure the Company's continued performance.

2.1 Issue of Share Appreciation Rights (SARs) under the Senior Executive Share Appreciation Rights Plan (SESARP) to Aaron Begley

The terms of the Plan, including the terms of the SESARP under which the SARs will be granted, if approved by Shareholders, is set out in the Explanatory Statement in relation to Resolution 1.

The SARs will be subject to the following vesting conditions:

- three year service period from 1 July 2014; and
- TSR target based on TSR comparator group of companies (ASX300) measured over a 3 year performance period as follows:

| TSR Target achieved during performance period | % of SARs vested |
|--|----------------------------|
| 75% and over | 100% |
| 50 – 75% | 50 – 100% on sliding scale |
| Below 50% | Nil |

Upon vesting of any SARs, Mr Begley will be allocated the number of Shares (or the cash equivalent equal to the value) derived by multiplying the number of vested SARs by the growth in the MCE share price during the performance period relative to the hurdle share price. The hurdle share price is \$1.39 and is calculated by reference to:

- the 28 day VWAMP of MCE shares following the release of the Company's 2014 Financial Year statutory accounts on 13 August 2014, being \$1.10; and
- the annual growth rate of 8.25% for the ASX300 Accumulation Index over the five years prior to the grant date of the SARs.

The number of SARs to be granted to Mr Begley under the SESARP, testing date, and vesting date are as follows:

| Number of SARs | Testing Date | Vesting Date |
|-----------------------|--------------------------------------|---------------------|
| 592,593 | Release of FY2017 statutory accounts | 11 September 2017 |

Assuming vesting conditions are met and a range of 2017 Financial Year VWAMP outcomes of \$1.00, \$2.00 and \$3.00 respectively, the value attributed to Mr Begley's SARs is as set out below.

| Target Future Share Price | \$1.00 | \$2.00 | \$3.00 |
|----------------------------------|---------------|---------------|---------------|
| Grant Value | \$160,000 | \$160,000 | \$160,000 |
| SAR value | \$0.27 | \$0.27 | \$0.27 |
| SARs granted | 592,593 | 592,593 | 592,593 |
| Hurdle Price | \$1.39 | \$1.39 | \$1.39 |
| Share Price Uplift | Nil | \$0.61 | \$1.61 |
| Benefit | Nil | \$361,482 | \$954,075 |
| Matrix share conversion | Nil | 180,741 | 318,025 |

Accordingly, unless the vesting conditions of:

- Share price appreciation exceeding the annualised growth rate of the ASX300 Accumulation Index;
- Matrix ranking above the 51st percentile of the ASX300 in terms of TSR over the vesting period; and
- Three year service condition are met, the SARs will not vest and no benefit will accrue to Mr Begley.

If Mr Begley ceases employment with the Company before the end of the performance period, the treatment will depend on the circumstances of cessation.

All unvested Performance Rights will lapse in the event of resignation or termination for cause. Where Mr Begley ceases employment for any other reason, his unvested SARs will generally continue on-foot and be tested at the end of the original vesting date against the relevant vesting conditions. However, the Board has discretion to apply another treatment that it deems appropriate in the circumstances.

2.2 Additional Information

In accordance with ASX Listing Rule 10.15, the following additional information is provided regarding Resolution 2.

- Aaron Begley is the Chief Executive Officer and Managing Director of the Company.
- Mr Begley will be granted up to 592,593 Share Appreciation Rights for nil financial consideration, which subject to the achievement of performance conditions, may convert to ordinary shares in the capital of Matrix. Any shares allocated to Mr Begley may be acquired on-market or issued by Matrix.

Alternatively, the Board may determine in its absolute discretion that a vested Share Appreciation Rights will be satisfied by the Company making a cash payment to Mr Begley in lieu of allocating Shares.

- As this is the first grant of awards under the Matrix Rights Plan, for the purposes of ASX Listing Rule 10.15.4, no person referred to in ASX Listing Rule 10.15.4 has received any securities under the Rights Plan.
- The terms and conditions of the Rights Plan provide that only employees of the Company (which includes Executive Directors) are eligible to participate in the Rights Plan. Non-executive directors are not eligible to participate in the Rights Plan. Mr Begley is currently the only Executive Director of the Company.
- The Share Appreciation Rights will be granted under the terms and conditions of the Rights Plan, the subject of Resolution 1 at this Meeting.
- There is no loan attaching to the offer of Share Appreciation Rights under the Rights Plan.
- Details of any securities issued under the Rights Plan will be published in the Company's future annual Remuneration Reports, including that approval for this issue of securities was obtained under Listing Rule 10.14.
- The Company will grant the Share Appreciation Rights as soon as practicable and no later than 12 months after the date of this Meeting.

The Board (with Mr Aaron Begley abstaining) recommends that Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – REPEAL AND REPLACEMENT OF CONSTITUTION

Background

It is proposed that the current Constitution be repealed in its entirety and replaced with a new Constitution. The current Constitution was adopted on 28 November 2007.

Since the current Constitution was adopted, there have been changes to the Corporations Act, ASX Listing Rules, other regulatory requirements, as well as significant developments in corporate governance practices and standards. The current Constitution has not been reviewed or updated in any material respect during this time.

The new Constitution is a standard form constitution appropriate for a public listed company, consistent with current corporate practice and in line with the current law applying to public listed companies as embodied in the Corporations Act.

Under the Corporations Act, a company may elect to either amend parts of its constitution or replace the entire document. As there have been a number of changes to the law since the adoption of the current Constitution, the Directors believe that it is preferable in the circumstances to repeal the existing document and replace it with a new Constitution, rather than amend and insert specific updates.

The proposed Constitution is broadly consistent with the provisions of the current Constitution. The proposed amendments are administrative in nature, to accommodate for changes in law and will not result in any material change to the rights and obligations of Shareholders.

Summary of Amendments

- Introduction of a small holdings facility as permitted under ASX Listing Rule 15.13 (rule 13 of the new Constitution).

Under a small holdings facility, the Company may notify holders of an unmarketable parcel of MCE Shares (i.e. market value less than \$500) that, unless the Shareholder notifies the Company to the contrary, the unmarketable parcel will be sold on the Shareholder's behalf, free of brokerage charges. Should the Shareholder wish to retain their holding, they may confirm this decision to the Company. The provision is a standard provision in listed company constitutions as a measure to reduce the costs of maintaining unviable holdings on the share register.

- Provision for the Company to charge a reasonable fee for processing off-market paper-based transfer and other similar paper-based documents in line with ASX Listing Rule 8.14.1 (rule 12.2(e) of the new Constitution).
- Introduction of the proportional takeover bid provisions in accordance with section 648D of the Corporations Act (rule 15 of the new Constitution).

Under the Corporations Act, a company may include in its constitution a provision to enable the company to refuse to register shares acquired under a proportional takeover bid unless a resolution is passed by Shareholders in a general meeting approving the offer.

The provision is designed to assist shareholders to receive proper value for their shares if a proportional takeover bid is made for the Company. Without the proportional takeover provision, a proportional takeover bid may enable control of the Company to pass without shareholders having the opportunity to sell all of their shares to the bidder. Shareholders may be exposed to the risk of being left as minority shareholders in the Company and of the bidder being able to acquire control of the Company without payment of an adequate control premium for their shares.

The proportional takeover bid provision will operate for a period of three years from when the new Constitution is adopted, and will cease to have effect on the third anniversary of the date of adoption unless renewed by a special resolution. Thereafter, the provision operates for a period of three years from the date of the last renewal.

A proportional takeover provision does not apply to full takeover bids.

- An increase in the number of shareholders required for a quorum at a general meeting of the Company from 3 to 5 (rule 16.7(b) of the new Constitution).
- Introduction of a new provision to provide for direct voting (rule 18 of the new Constitution).

Direct voting is a mechanism by which members may vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a member are taken to have been cast on the poll as if the member had cast the votes on the poll in person at the meeting. Directors must determine that votes can be cast via direct vote for all or any resolutions, and determine the manner appropriate for the casting of direct votes. The proposed change is facilitative and consistent with the changes made by many listed companies. The Company does not have any immediate plans to implement direct voting.

- The new Constitution includes provisions consistent with the test for payment of dividends in accordance with section 254T of the Corporations Act (rule 25 of the new Constitution). Section 254T was introduced in 2010 and provides for a “net assets test” in respect of the payment of dividends.

Section 254T of the Corporations Act is currently under Government review and subject to amendment. It is proposed that a pure “solvency test” will replace the “net assets test” for dividends. The new Constitution has the flexibility to apply, from time to time, the current Corporations Act provision on the payment of dividends.

- Introduction of a new provision which allows for the Directors to pay dividends by any electronic or other means approved by the Directors directly to an account nominated in writing by the member (rule 25.6(a)(ii) of the new Constitution).
- Where a Shareholder is not contactable at any address known to the Company, the Constitution includes a provision to allow for notices to be given and taken to be given where the document is exhibited at the Company's registered office for a period of two business days (rule 30.1(c) of the new Constitution). This practice has been adopted by other ASX listed issuers in recent years.

Legislative Requirement

Under section 136(2) of the Corporations Act, it is necessary for a special resolution of Shareholders to be passed to repeal and replace the current Constitution and adopt the new Constitution. A special resolution requires approval by at least 75 per cent of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution. The new Constitution will be effective on and from the passing of the special resolution of Shareholders at the EGM.

A copy of the proposed new Constitution is available at the Company's website at www.matrixengineered.com or a hard copy may be obtained by calling the Company Secretary on (+61 8) 9412 1200.

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

GLOSSARY

ASX means ASX Limited (ACN 008 624 691).

Board means the current Board of Directors.

Closely Related Party of a member of the key management personnel means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or of the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or
- (e) a company that the member controls; or
- (f) a person prescribed by the relevant regulations applicable for the purposes of this definition under the Corporations Act.

Company, Matrix or MCE means Matrix Composites & Engineering Ltd (ACN 009 435 250).

Constitution means the Company's constitution.

Corporations Act or the Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the Explanatory Statement accompanying this Notice of General Meeting.

General Meeting or Meeting means the meeting convened by this Notice of Meeting.

Key Management Personnel or KMP has the same meaning as in the Accounting Standards (AASB 124). The term broadly includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Director.

Listing Rules means the Listing Rules of ASX.

Matrix Rights Plan means the Matrix Composites & Engineering Ltd Rights Plan.

Notice of General Meeting or Notice means this notice of general meeting including the Explanatory Statement and the proxy form.

Rights means Performance Rights or Share Appreciation Rights issued under the Matrix Rights Plan.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

AWST means Australian Western Standard Time as observed in Perth, Western Australia.

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