

3 February 2016

Matrix enters into LGS™ licensing agreement

Highlights

- Matrix enters into exclusive worldwide licensing agreement with technology partners AMOG Technology for commercialisation of LGS¹
- Technology to significantly reduce costs and increase production on offshore drilling rigs by reducing downtime in high ocean current conditions
- Completed successful large scale testing of LGS system at the NRC Ocean Technology Center in St John's Canada
- Award of first LGS system for a major US-based drilling contractor for deployment in the Gulf of Mexico

Matrix Composites & Engineering Ltd (**ASX:MCE**) is pleased to announce it has signed an exclusive worldwide licensing agreement with AMOG for the commercialisation of the Longitudinally Grooved Suppression (**LGS**) system (the **Agreement**).

The Agreement has an initial five-year term, with an option for Matrix to extend for a further five years.

LGS displaces competitors through its disruptive, Australian-developed and patent-protected technology that reduces drag and vortex induced vibration (**VIV**) on tubular structures when exposed to ocean currents. This means floating drill rigs and platforms can continue operations under high ocean current conditions, providing producers with increased production and improved operating efficiencies due to less downtime.

LGS reduces loads and service life fatigue risks for offshore submerged structures and is applicable to a broad range of marine applications in both newbuilds and the aftermarket. This includes drilling risers, production risers, pipelines, flowlines, and pylon and jacket structures.

Matrix's exclusive licence combines the strengths of the industry's leading subsea buoyancy company with a global leader in riser system design and analysis services. The Agreement supersedes an earlier agreement with AMOG that enabled Matrix to assess and test the technology.

Matrix Chief Executive Officer Aaron Begley said he was delighted that Matrix had signed the exclusive licensing agreement with AMOG that enabled commercialisation of the technology for the benefit of producers.

"Extensive testing has shown that the drag reduction properties of LGS means floating drilling rigs will be able to continue operating in high current conditions and do so safely," Mr Begley said.

“Offshore operators in high current conditions, such as in the Gulf of Mexico, are required to suspend drilling operations due to high currents, which adds substantial costs to operations.”

“In the current oil price environment, this agreement comes at the perfect time given the cost savings and increased production LGS can deliver, which we believe will be highly attractive to producers.”

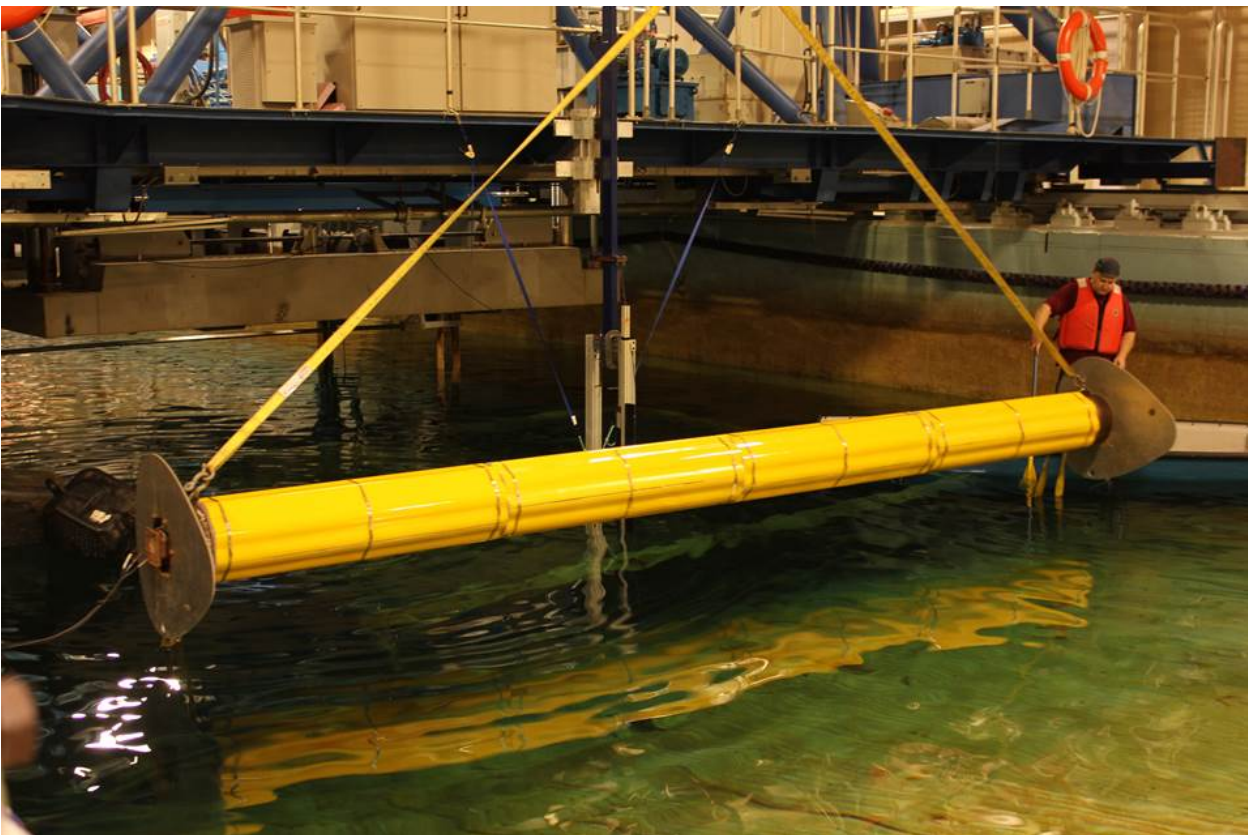
Successful Outcome of Large Scale Testing

Following small scale testing at Monash University to optimise the profile of LGS, Matrix engaged Oceanic Consulting Corporation to conduct large scale tests of the LGS system at Canada’s National Resource Council in St Johns, Newfoundland, Canada.

The test facility, the largest of its kind in the world, is renowned for conducting several high profile oil industry JIP (Joint Industry Project) test programs for VIV and Drag reduction assessment.

The size of the St John’s facility enabled large scale models of the LGS profile to be tested under high load and high current speed conditions. The outcome of these tests exceeded predicted results from the small scale tests, with testing demonstrating that the unique profile of LGS reduces total drag and VIV, substantially surpassing the performance of current state of the art technologies. These attributes open up applications for LGS in a broad variety of offshore applications including both drilling and production riser applications.

Figure 1 – LGS testing at the NRC Ocean Technology Enterprise Center, Canada

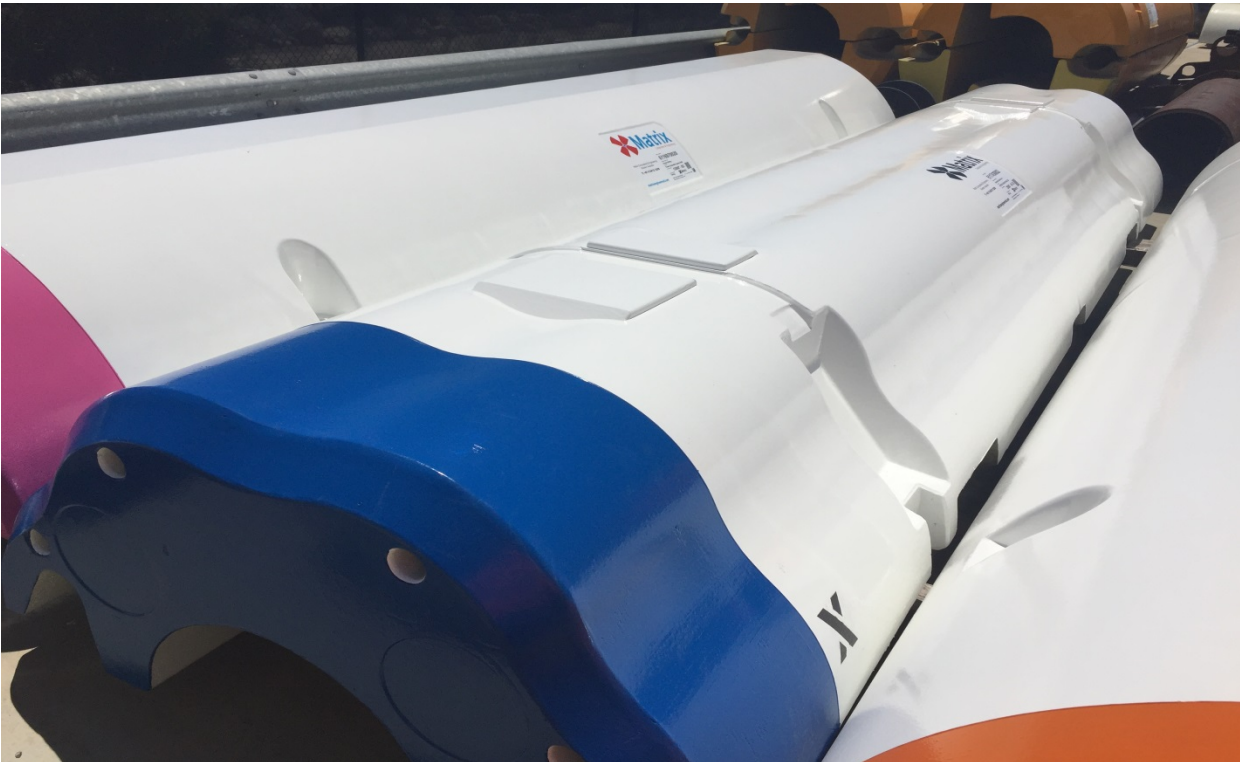


Award of First LGS System for Deployment in Gulf of Mexico

As a result of extensive engineering and development efforts and the successful test results obtained from the St John's testing program, Matrix is pleased to announce that it has been awarded its first LGS System contract by a major US-based drilling contractor. The system is due to be deployed later this year in the Gulf of Mexico in an area where the operator has experienced high currents, resulting in substantial down time. The drag reduction effects of the LGS system reduces deflection of the riser during drilling operations, increasing drilling uptime for given current conditions when compared to using bare buoyancy.

The drilling contractor will remove the existing buoyancy dressed on the riser and replace it with Matrix LGS buoyancy with the system then being run in the same way as a conventionally dressed riser.

Figure 2 – Matrix LGS modules for deployment in GOM



For further information on LGS please refer to Matrix's website:

<http://www.matrixengineered.com/en/news/>

Notes

1. LGS is a registered trade mark owned by AMOG Technologies Pty Ltd





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About Matrix Composites & Engineering (MCE)

Matrix Composites & Engineering ('Matrix') manufactures and supplies engineered products and services to the global energy sector. Matrix has an established reputation for developing and utilising advanced composite and polymer materials technologies and innovative manufacturing processes. This means its products are stronger, lighter and longer lasting, and can be manufactured and delivered within shorter timeframes.