ASX announcement

11 May 2016

# Market update

In a challenging oil and gas services market, demand for drilling equipment has remained low as customers delay orders and project delivery dates.  As a result, Matrix has moderated production more than previously anticipated and is expecting revenue of approximately $95 million for FY16 compared to previous guidance of approximately $100 million.

Given the reduced revenue and costs associated with disrupted production, Matrix expects to report underlying EBITDA (before non-recurring costs and foreign exchange gains/losses) of approximately $11.3 million for FY16.  Up to 30 April 2016, Matrix recorded non-recurring costs of $3.2 million, primarily attributed to redundancies and loss on sale of surplus property assets.

Matrix successfully launched its new LGS™ product range in February – a unique product that reduces drag and vortex induced vibration for floating drill rigs and platforms operating in strong ocean current conditions.  Matrix has delivered its first contract of LGS™ buoyancy which is expected to be deployed in the Gulf of Mexico by June 2016.  Matrix has assessed the attributable market for this product in excess of $US400 million and currently has outstanding quotations of US$70 million.

Matrix has signed a centralizer distributor agreement with Abu Dhabi Oilfield Services, a United Arab Emirates-based oil & gas engineering service provider.  Matrix continues to target the Middle East and Asia as developing markets for well construction products, with the potential for significantly increased volumes.

Matrix Chief Executive Officer Aaron Begley said while the low oil price was causing ongoing market uncertainty, Matrix was responding to this environment by moderating production and continuing to rationalise its costs base.

“Despite the market conditions we are gaining traction with innovative products that allow producers to cut costs in the current environment, such as LGS.

“Meanwhile, Matrix’s outlook remains positive over the medium to long term despite the short-term uncertainty.”

Matrix has continued to de-leverage its balance sheet during H2 FY16, with further reduction of its term debt to $1.5 million and a cash balance of $8 million at 30 April 2016.  Matrix expects term debt to be completely repaid by 30 June 2016.

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Matrix has reached agreement with its bankers for ongoing facilities of $20 million on revised terms to support the business and ensure it is well positioned to respond to the ongoing weak oil price environment and market outlook.

Matrix refers to its announcement of 16 February 2016 in relation to a request from a shipyard customer to cancel two contracted orders. As previously advised, Matrix has completed production of one of these orders, valued at US$10.89 million. Matrix is in discussions with the shipyard in order to resolve matters and notes there has been no formal announcement of the cancellation of the project by either the shipyard or the intended owner of the vessel.

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For further information please contact Peter Tazewell, Chief Financial Officer on +61 8 9412 1200 or email peter.tazewell@matrixengineered.com

## 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.

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