
MATRIX COMPOSITES & ENGINEERING LTD

ACN 009 435 250

2016 NOTICE OF ANNUAL GENERAL MEETING

TIME: 10.00am (WST)

DATE: Wednesday, 2 November 2016

PLACE: Garden Island Room, AMC Jakovich Centre
4 McGrath Road, Henderson, Western Australia

This Notice of Annual General Meeting 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 Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9412 1200.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (WST) on Wednesday, 2 November 2016 at:

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

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

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 Annual General Meeting. The appointment of the representative must comply with the requirements in section 250D of the Corporations Act. The representative should bring to the Annual General 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 Representation' form from the website of the share registry of the Company – www.linkmarketservices.com.au (under 'Investor Services' then 'Forms').

VOTING BY PROXY

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 Market 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 10.00am (WST) on Monday, 31 October 2016.

Proxy forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2016 Annual General Meeting of Shareholders of Matrix Composites & Engineering Ltd will be held at 10.00 am (WST) on Wednesday, 2 November 2016 at the Garden Island Room, AMC Jakovich Centre, 4 McGrath Road, Henderson, Western Australia.

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

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 4.00pm (WST) on Monday, 31 October 2016.

Terms and abbreviations used in this Notice of Annual General Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. ORDINARY BUSINESS

2. ANNUAL FINANCIAL REPORT

To receive and consider the Financial Report of the Company for the year ended 30 June 2016, consisting of the Income Statements, Statement of Financial Position, Statements of Changes in Equity, Statements of Cash Flows, the Directors' Report, the Directors' Declaration and the Independent Auditor's Report.

3. RESOLUTION 1 – RE-ELECTION OF MR CRAIG DUNCAN AS A DIRECTOR

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

“That, Mr Craig Duncan, being a Director of the Company, retiring by rotation in accordance with article 19.3 of the Company's Constitution, and being eligible, is re-elected as a Director of the Company.”

4. RESOLUTION 2 – GRANT OF SHARE APPRECIATION RIGHTS TO MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER MR 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 1,133,333 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.”

Voting exclusion:

The Company will disregard any votes cast on Resolution 2 by any Director of the Company (except one who is ineligible to participate in the Matrix Rights Plan) and their associates.

However, the Company need not disregard a vote cast on Resolution 2:

- 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.

In addition, a vote must not be cast on Resolution 2 by a member of the KMP, or a closely related party of a KMP, acting as proxy for a person entitled to vote, if their appointment does not specify the way the proxy is to vote on Resolution 2. This restriction on voting undirected proxies does not apply to the person chairing the meeting where the chair has been expressly authorised to exercise undirected proxies.

The Chairman of the Meeting will vote any undirected proxies in favour of Resolution 2 in accordance with the Corporations Act and ASX Listing Rules.

5. RESOLUTION 3 – THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2016 IS ADOPTED

To consider and, if thought fit, to pass the following resolution as an **advisory resolution**:

“That the Remuneration Report, as set out in the Company’s 2016 Annual Report, is adopted.”

The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion:

A vote on Resolution 3 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a member of the Key Management Personnel (**KMP**) (which includes each of the Directors of the Company) whose remuneration is disclosed in the 2016 Remuneration Report; or
- a closely related party (as that term is defined in the Corporations Act) (such as close family members and any controlled companies) (**Closely Related Party**) of such a member of the KMP.

However, a person described above may cast a vote on Resolution 3 as a proxy if the vote is not on behalf of a person described above and either:

- the proxy appointment is in writing and specifies the way the proxy is to vote (for, against, abstain) on the resolution; or
- the vote is cast by the person chairing the AGM and the appointment of the chair as proxy:
 - i. does not specify the way the proxy is to vote on the resolution; and
 - ii. expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

The Chairman of the Meeting will vote any undirected proxies in favour of Resolution 3 in accordance with the Corporations Act and ASX Listing Rules.

6. OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Company's Constitution and the Corporations Act.

DATED: 30 SEPTEMBER 2016**BY ORDER OF THE BOARD**

ADAM SANTA MARIA
MATRIX COMPOSITES & ENGINEERING LTD
COMPANY SECRETARY

ENQUIRIES

Shareholders may contact the Company Secretary on (+61 8) 9412 1200 if they have any queries in respect of the matters set out in these documents.

If you have an issue or question that you would like addressed at the Annual General Meeting or would like to submit a written question to the Chairman or Deloitte (our external auditor) before the Annual General Meeting, please send your query to companysec@matrixengineered.com no later than Tuesday, 26 October 2016.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the 2016 Annual General Meeting to be held at 10.00 am (WST) on Wednesday, 2 November 2016 at the Garden Island Room, AMC Jakovich Centre, 4 McGrath Road, Henderson, Western Australia.

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 Annual General Meeting.

1. ANNUAL FINANCIAL REPORT

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the Financial Report of the Company for the financial year ended 30 June 2016 together with the Directors' Declaration, the Directors' Report, and the Auditor's Report.

The financial report of the Company for the financial year ended 30 June 2016 is available on the Company's website at www.matrix-corp.org.

No formal resolution is required regarding the Annual Financial Report, however provision will be made for members as a whole to ask questions or make comments on the reports or the management of the Company. Members may question the Independent External Auditor regarding the conduct of the audit, the independence of the auditor, preparation and content of the reports and accounting policies adopted by the Company.

2. RESOLUTION 1 – RE-ELECTION OF MR CRAIG DUNCAN

Clause 19.3 of the Constitution provides that at every annual general meeting of the Company, an election of directors must be held and, if there would otherwise not be a vacancy on the board, and no director is required to retire, then the director longest in office since last being elected must retire (excluding the Managing Director).

In accordance with clause 19.3 of the Constitution, the Company has determined that one director must retire by rotation.

In accordance with clause 19.3 of the Constitution, a Director who retires by rotation under clause 19.3 is eligible for re-election.

Mr Duncan, being a Director of the Company, will retire by way of rotation and, being eligible, offers himself for re-election as a non-executive Director of the Company.

Details of Mr Duncan are set out below:

Mr Duncan has over 38 years' experience in the petroleum and mining industries in Australia, Asia, the Middle East and Africa. He was previously a Drilling Superintendent at Apache Energy for 12 years and was responsible for managing well construction operations. Prior to this role, Mr Duncan was involved in manufacturing specialised equipment for the gold mining industry.

Mr Duncan chairs the Risk Committee of the Company and is a member of the Audit Committee.

Mr Duncan holds a Graduate Diploma in Petroleum Engineering, University of New South Wales, 2005.

The Board (excluding Mr Duncan) recommends the re-election of Mr Duncan as a Director.

3. **RESOLUTION 2 - GRANT OF SHARE APPRECIATION RIGHTS TO MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER MR 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 2016 Financial Year Mr Begley be issued with 1,133,333 SARs under the Rights Plan. Based on BDO's determination that each SAR has a value of \$0.15 as at 21 September 2016, the value of the proposed grant of SARs to Mr Begley is \$170,000.00. 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.

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.

3.1 **Key Terms of the Matrix Rights Plan**

Under the Rights Plan, the Board may determine the key terms and conditions of any Rights granted under the Plan. Rights granted under the Plan may be in the form of the following:

Performance Rights: an entitlement to acquire a Share on a one for one basis, subject to satisfaction of vesting conditions and any other terms and conditions determined by the Board.

Share Appreciation Rights (SARs): an entitlement to acquire Shares equal to the growth in value of the underlying Shares (if any) upon satisfaction of the relevant vesting conditions and any other terms and conditions determined by the Board.

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 acquires Rights under the Rights Plan becomes a Participant in the Rights Plan.

Under the grants made to Mr Begley, he is able to allocate rights between Performance Rights and SARs. Mr Begley has advised he intends to take 100 per cent of his allocation as SARs.

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

SARs do not carry any dividend or voting rights.

SARs 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;
- not subject to any vesting conditions; and
- not subject to a holding lock or any disposal restrictions.

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. The Company will not seek quotation of any SARs.

Should the Company undergo a reorganisation or reconstruction of capital the SARs will be adjusted to ensure the value of the SARs 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 Mr Begley 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 SARs to take into account that divestment/disposal.

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

- 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.

SARs issued 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

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

Claw-back

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

Vesting Conditions

SARs will be subject to the following vesting conditions:

- three year service period from 1 July 2016; and
- TSR target based on TSR comparator group of companies (ASX300) measured over a three 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 Matrix share price during the performance period relative to the hurdle share price. The hurdle share price is \$0.52 and is calculated by reference to:

- the 28 day VWAMP of MCE shares following the release of the Company's 2016 Financial Year statutory accounts on 24 August 2016, being \$0.42; and
- the annual growth rate of 7.12 per cent 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 Rights Plan, testing date, and vesting date are as follows:

Number of SARs	Testing Date	Vesting Date
1,133,333	Release of FY2019 statutory accounts	21 September 2019

Assuming vesting conditions are met and an assumed 2019 Financial Year VWAMP of \$0.50, \$1.00 and \$2.00, the value attributed to Mr Begley's SARs is as set out below.

Target Future Share Price	\$0.50	\$1.00	\$2.00
Grant Value	\$170,000	\$170,000	\$170,000
SAR value	\$0.15	\$0.15	\$0.15
SARs granted	1,133,333	1,133,333	1,133,333
Hurdle Price	\$0.52	\$0.52	\$0.52
Share Price Uplift	Nil	\$0.48	\$1.48
Benefit	Nil	\$544,000	\$1,677,333
Matrix share conversion	Nil	544,000	838,667

Accordingly, unless the vesting conditions of:

- i) Share price appreciation exceeding the annualised growth rate of the ASX300 Accumulation Index;
- ii) Matrix ranking above the 51st percentile of the ASX300 in terms of TSR over the vesting period; and
- iii) 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 SARs 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 1,133,333 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 Right will be satisfied by the Company making a cash payment to Mr Begley in lieu of allocating Shares.

- For the purposes of ASX Listing Rule 10.15.4, the only person listed in ASX Listing Rule 10.14 that has received any securities under the Rights Plan is Mr Begley who was granted 592,593 Share Appreciation Rights on 29 July 2016 for nil financial consideration following approval at the June 2015 General Meeting and a further 1,545,455 Share Appreciation Rights on 9 December 2015 for nil consideration following approval at the Company's 2015 Annual General Meeting.
- 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 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.
- 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.
- If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.
- A voting exclusion statement is set out under Resolution 2 in the Notice of Meeting.

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

4. RESOLUTION 3 – REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution for adoption of the remuneration report is required to be considered and voted on by shareholders. The Remuneration Report details the Company's policy on the remuneration of non-executive Directors, the Chief Executive Officer and senior executives and is set out in the 2016 Annual Report which is available on the Company's website at www.matrix-corp.org.

Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

The vote on the adoption of the remuneration report is advisory only and does not bind the Directors or the Company. However, if a company's remuneration report receives a 'no' vote of 25 per cent or more at two consecutive annual general meetings, a resolution must then be put to shareholders at the second annual general meeting as to whether another meeting should be held (within 90 days) at which all directors (other than the managing director) who were in office at the date of approval of the applicable directors' report must stand for re-election (**Spill Resolution**). In summary, Shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the remuneration report receives 'two strikes' from Shareholders.

The Company did not receive a 'no' vote of 25 per cent or more in regard to the Remuneration Report at the 2015 AGM and as such the 2016 Notice of Meeting does not contain a Spill Resolution.

For the voting exclusions applicable to this resolution, please refer to page 4 of this Notice of Meeting.

In the interests of corporate governance, the Board abstains from making a recommendation in relation to this resolution.

GLOSSARY

Annual General Meeting means the meeting convened by the Notice of Annual General Meeting.

ASX means ASX Limited (ACN 008 624 691).

Board means the current Board of Directors.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

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 means Matrix Composites & Engineering Ltd (ACN 009 435 250).

Constitution means the Company's constitution.

Corporations 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 Annual General Meeting.

Key Management Personnel has the same meaning as in the Accounting Standards. 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.

Notice of Annual General Meeting means this notice of annual general meeting including the Explanatory Statement.

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

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.