

24 July 2020

Matrix provides operational and strategic update

Matrix Composites & Engineering Ltd (ASX:MCE, “Matrix” or the “Company”) provides the following update on the business.

Operational performance

Matrix announced on 15 May 2020 that delays, deferrals, and reduced capital expenditure in the oil and gas market due to a weak oil price and COVID-19 global impacts on the industry were expected to have a material impact on Q4 FY20 revenue. In line with this, Matrix’s preliminary unaudited results for the year ended 30 June 2020 indicate subdued revenue for Q4 FY20 and revenue for the year of circa \$27.5 million.

Given the anticipated continuing impact on the oil and gas markets, and broader constrained global economic conditions, Matrix foreshadows a reduction in the carrying value of its assets to reflect this. The quantum of these one-off, non-cash adjustments will be finalised in the audited FY20 accounts when review and audit procedures have been completed.

While still servicing traditional project capex work in the oil and gas sector, strategically Matrix is pivoting its focus to the highly adjacent brownfields project maintenance and sustainment work for the Australian LNG sector and to meet emerging demand in other target sectors, including mineral resources and defence industries. This strategic pivot is targeted at providing more stable and assured revenue to meet customer demand that is less exposed to the cyclical nature of oil and gas projects and associated capital expenditure.

In line with this approach, on 19 June 2020 Matrix announced it had entered into a binding agreement with Acotec to exclusively distribute its Humidur Coatings products in Australia, New Zealand and Papua New Guinea. In conjunction with this agreement, Matrix entered into a conditional agreement with Acotec’s existing local distributor, Humidur Australia Pty Ltd, to acquire its specialised application and preparation equipment valued at \$2.4 million. Matrix is pleased to announce that the Humidur acquisition is now unconditional, with completion expected in the coming days.

Humidur Coatings are a unique range of corrosion protection coatings that substantially increase service life for installed site infrastructure plant and materially reduce on-site application processes and time, with application at energy, resources, and defence projects. Matrix has already received approximately \$1 million in orders under storage, distribution and

equipment hire arrangements with Australian LNG facility operators, with further orders expected across target markets during H1 FY21.

Matrix also continues to target project work in select markets, with enquiries continuing to be serviced in the drilling riser buoyancy and SURF markets, albeit the timing in project commitments and associated contract awards remains uncertain in the current environment.

Matrix maintains a strong financial position, with net cash (cash less financial liabilities) of \$14.7 million as at 30 June 2020. This ensures the Company is well positioned to withstand current conditions and be positioned to take advantage of growth opportunities and consider strategic options, whilst retaining a key focus on disciplined capital management.

Strategic review

In response to depressed oil and gas conditions that reflects the low oil price and COVID-19 impacts, Matrix's Board has initiated a strategic review to consider options to protect and optimise shareholder value.

The strategic review is to assess various corporate, strategic and business options, including organic and inorganic growth pathways, as well as ownership and equity structure considerations, amongst other scenarios, with a view to ensuring that Matrix has the most appropriate strategy and business plan in place in response to current and expected future conditions. To this end the Company has engaged Azure Capital Pty Ltd as its independent corporate adviser to assist with the strategic review.

Matrix will provide an update on the progress of the strategic review when it releases its FY20 results in late August. Matrix expects the strategic review to take several months, with a targeted completion in Q2 FY21 and communication of outcomes to the market and shareholders by no later than the 2020 AGM.

In parallel with the strategic review, Matrix is also looking to bolster its Board consistent with the outcome of its strategic review. In this regard Matrix is mandating a national director recruitment agency to undertake a director search process. This will encompass a nationwide review of potential candidates who may have additional skills and experience relevant to Matrix's ongoing strategy to further complement the existing Board in driving the Company forward.

In undertaking these strategic review initiatives Matrix will continue to liaise with its shareholder base and keep the market informed of material outcomes as they arise.

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This announcement was authorised for release by the Managing Director and CEO of Matrix

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About Matrix Composites & Engineering

Matrix Composites & Engineering specialises in the design, engineering and manufacture of composite and advanced material technology solutions for the oil and gas, civil and infrastructure, resources, defence, and transportation industries. With more than 40 years experience, Matrix has gained a reputation as an industry leader and has become a major exporter of Australian goods and services with customers located all over the world. From its award-winning head office in Australia and offices in the United States, and a global network, Matrix is uniquely positioned to deliver complete turnkey solutions offerings with localised customer support.

More information can be found at www.matrixengineered.com