

Appendix 4D

Half year report Period ending on 31 December 2024

Name of entity

Matrix Composites & Engineering Ltd

ABN or equivalent company
reference

54 009 435 250

The information contained in this report relates to the following years:

Current half-year ended	31 December 2024
Previous half-year ended	31 December 2023

Results for announcement to the market

					\$000s
Revenue	Increased	47.5%	To		39,389
Profit / (loss) after tax attributable to members	Increased	126.8%	To		1,029
Profit / (loss) after tax attributable to owners of the parent	Increased	112.4%	To		443

Dividend payments	Amount per security	Franked amount per security
<u>Year ended 30 June 2024</u> Final dividend (cents per share)	-	-
<u>Half year ended 31 December 2024</u> Interim dividend (cents per share)	-	-
Record date for determining entitlement to dividend	n/a	
Date the interim 2025 dividend is payable	n/a	

Net tangible assets	Current half year \$	Previous half year \$
Net tangible assets per ordinary security (include right-of-use assets and lease liabilities)	\$0.14	\$0.14

Total interim dividend to be paid on all securities	Current half year \$	Previous half year \$
Ordinary securities	nil	Nil

The above information should be read in conjunction with the attached Half Year Report for the period ending 31 December 2024.

This report is based on accounts that have been reviewed.



BRENDAN COCKS
CHIEF FINANCIAL OFFICER

Date: 25 February 2025

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Interim Consolidated Financial Report

For the Half Year Ended 31 December 2024

Contents

Interim Consolidated Financial Statements	Page
Directors' Report	1
Auditor's Independence Declaration	3
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Interim Consolidated Statement of Financial Position	5
Interim Consolidated Statement of Changes in Equity	6
Interim Consolidated Statement of Cash Flows	7
Notes to the Interim Consolidated Financial Statements	8
Directors' Declaration	23
Independent Auditor's Review Report	24

Directors' Report

The directors of Matrix Composites & Engineering Ltd ("Matrix" or "the Company") submit herewith the financial report of the Company and its subsidiaries ("Group" or "Consolidated Entity") for the half-year ended 31 December 2024. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names and particulars of the directors of the Company during or since the end of the half-year are:

Peter J Hood AO	(Independent Non-Executive Chairman)
Aaron P Begley	(Managing Director & Chief Executive Officer)
Steven Cole	(Independent Non-Executive Director)
Chris Sutherland	(Independent Non-Executive Director)
Alison Terry	(Independent Non-Executive Director)
Stephan Kirsch	(Independent Non-Executive Director) - appointed 25 February 2025
Brendan Cocks	(Executive Director & Chief Financial Officer)

The above-named directors held office since the start of the half-year to the date of this report, except for specified otherwise.

Review of operations

Overview

The Consolidated Entity's principal activities during the course of the period were the supply of manufactured goods and provision of engineering services. The goods manufactured and services provided by Matrix can be summarised as follows:

- Manufacture and supply of capital drilling equipment (primarily comprised of syntactic foam buoyancy) and provision of inspection, maintenance and repair services to the oil and gas sector;
- Manufacture and supply of subsea umbilical risers and flowline (SURF) ancillary equipment and associated services;
- Manufacture and supply of VIV suppression equipment for rigid pipelines;
- Manufacture and supply of well construction products, including centralisers and conductors;
- Distribution of epoxy based coating system and related equipment hire and technical support; and
- Consultancy for, and manufacture of, advanced composite materials and products for the defence, energy, resource and transport sectors.

Financial Performance

Revenue for the 6 months ended 31 December 2024 of \$39.4m was 47% higher than the prior corresponding period. The period represented an improvement from last year, with more production going through the Henderson facility, primarily driven from increased project activity in Brazil.

With fixed company overheads remaining relatively flat the increased activity resulted in an EBITDAF profit of \$3.2m (Dec 2023: \$0.6m) and net profit after tax of \$1.0m (Dec 2023: net loss after tax of \$3.8m) for the period.

Revenue was driven by one main buoyancy project under production during the period. There was also contributions from our Corrosion Technology division selling through our range of Humidur products and advanced materials delivering sales of our downhole centralisers and roto molded products for the civil market.

Operating cashflow was a \$4.7m outflow for the period (31 December 2023: \$9.0m inflow). Operating cash was impacted by working capital requirements of the main buoyancy project being manufactured, with strong inflows expected after period end as production milestones invoiced late in the period are received. Capex spend of \$3.1m was driven by procurement of project tooling and the purchase of a new injection molding machine to service the US and Saudi markets.

Cash and cash equivalents at the end of the period was \$15.7m (Dec 23 \$23.3m).

Directors' Report

Review of operations (continued)

Strategy and outlook

Matrix continues with a strategy to grow global market share of its core buoyancy products in the global oil and gas industry, while diversifying its products and services and leveraging manufacturing capabilities and customer relationships. Key to the financial success of the Company is the ability to secure sufficient work to efficiently load manufacturing capacity and unlock operating leverage.

There has been encouraging growth in the Company's share of the Production Buoyancy market (SURF), with 4 large orders worth over \$110m awarded and to be manufactured and delivered since the FY23 year resulting in a significant share of this global market. The Company will continue to pursue market penetration and share in this sector. Matrix is the market leader in the provision of drilling riser buoyancy and servicing this market will continue to be a focus.

The company will continue to pursue opportunities in the advanced materials space, which will potentially lead to manufacturing opportunities upon development success. Opportunities in the renewables space and also with local major resource companies will continue to be a priority.

Increasing market share through new customer conversions and adoption of Humidur in their coating specifications will be a focus of our coating technology division to target revenue growth. Growth into new regions within our distribution agreement will be a focus including Eastern Australia growth and sales into Papua New Guinea.

Dividend

The directors have determined that no interim dividend will be paid for the period ended 31 December 2024 (31 December 2023: nil).

Events occurring after the reporting date

The Board had received a resignation letter from Steven Cole resigning from the Board effective, 28th February 2025. Other than this, the directors have determined that there are no events of a material nature that have occurred subsequent to the reporting date that require disclosure.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the half-year report.

This Directors' report is signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001*.

ASIC corporations instrument 2016/191 rounding of amounts

The Company is an entity to which Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191, dated 24 March 2016 applies. Amounts in the Directors' Report and the Financial Statements have been rounded to the nearest thousand dollars in accordance with ASIC Instrument 2016/191, unless otherwise indicated.

Directors' Report

This report is signed in accordance with a resolution of the Board of Directors.



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Aaron P Begley
Managing Director & Chief Executive Officer

25 February 2025



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Matrix Composites & Engineering Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Matrix Composites & Engineering Ltd for the half-year ended 31 December 2024 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

GL + 177

Graham Hogg

Partner

Perth

25 February 2025

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2024

	Notes	31 December 2024 \$000	31 December 2023 \$000
Revenue	3	39,389	26,703
Cost of sales		(33,500)	(23,279)
Gross profit		<u>5,889</u>	<u>3,424</u>
Other income	4	571	6
Administration expenses		(2,406)	(2,328)
Marketing expenses		(1,326)	(831)
Research expenses		(219)	(437)
Engineering expenses		(1,499)	(1,257)
Other expenses	4	(19)	(963)
Finance income	4	2,397	523
Finance costs	4	(1,984)	(1,982)
Profit / (loss) before tax		<u>1,404</u>	<u>(3,845)</u>
Income tax expense	5	(375)	-
Profit / (loss) for the period		<u>1,029</u>	<u>(3,845)</u>
Other comprehensive profit / (loss) for the period, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net foreign currency translation differences		(586)	268
Other comprehensive profit / (loss) for the period, net of tax		<u>(586)</u>	<u>268</u>
Total comprehensive (loss) / profit for the period		<u>443</u>	<u>(3,577)</u>
Profit / (loss) attributable to:			
Owners of the Company		<u>1,029</u>	<u>(3,845)</u>
Total comprehensive profit / loss attributable to:			
Owners of the parent entity		<u>443</u>	<u>(3,577)</u>
Profit / (loss) per share			
Basic profit / (loss) per share (cents)		0.46	(1.76)
Diluted profit / (loss) per share (cents)		0.42	(1.76)

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	31 December 2024 \$'000	30 June 2024 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	15,679	23,320
Trade and other receivables	7	21,910	26,135
Inventories	8	10,396	8,701
Prepayments	9	2,434	1,611
Total current assets		<u>50,419</u>	<u>59,767</u>
Non-current assets			
Prepayments	9	-	332
Property, plant and equipment	10	16,360	15,317
Right-of-use assets	12	18,125	18,745
Intangibles	11	979	990
Total non-current assets		<u>35,464</u>	<u>35,384</u>
Total assets		<u>85,883</u>	<u>95,151</u>
Liabilities			
Current liabilities			
Trade and other payables	13	10,181	9,835
Progress claims and deposits	3	409	10,317
Lease liabilities	12	667	630
Employee benefits		1,887	1,875
Forward contract liability	15	1,527	69
Convertible note	14	7,350	-
Total current liabilities		<u>22,021</u>	<u>22,726</u>
Non-current liabilities			
Lease liabilities	12	29,501	29,847
Employee benefits		96	98
Provisions		2,511	2,549
Convertible note	14	-	8,916
Total non-current liabilities		<u>32,108</u>	<u>41,410</u>
Total liabilities		<u>54,129</u>	<u>64,136</u>
Net assets		<u>31,754</u>	<u>31,015</u>
Equity			
Issued capital	17	140,365	139,992
Reserves		(1,060)	(398)
Accumulated losses		(107,551)	(108,579)
Total surplus in equity		<u>31,754</u>	<u>31,015</u>

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2024

	Issued capital	Accumulated losses	Foreign currency translation reserve	Share-based payment reserve	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Balance at 1 July 2024	139,992	(108,580)	(1,429)	1,031	31,014
Profit/ (loss) for the period	-	1,029	-	-	1,029
Other comprehensive profit/ (loss) for the period, net of income tax	-	-	(586)	-	(586)
Total comprehensive profit / (loss) for the period	-	1,029	(586)	-	443
Share-based payments expense	-	-	-	297	297
Vesting / lapse of equity-settled share-based payments	373	-	-	(373)	-
Balance at 31 December 2024	140,365	(107,551)	(2,015)	955	31,754
Balance at 1 July 2023	139,851	(114,091)	(1,423)	2,428	26,765
Profit/(loss) for the period	-	(3,845)	-	-	(3,845)
Other comprehensive profit/ (loss) for the period, net of income tax	-	-	268	-	268
Total comprehensive profit / (loss) for the period	-	(3,845)	268	-	(3,577)
Share-based payments expense	-	-	-	263	263
Vesting / lapse of equity-settled share-based payments	141	1,784	-	(1,925)	-
Balance at 31 December 2023	139,992	(116,152)	(1,155)	766	23,451

The accompanying notes form part of these financial statements

Interim Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2024

	31 December 2024 \$'000	31 December 2023 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	33,333	39,364
Payments to suppliers and employees (inclusive of GST)	(37,290)	(29,806)
Interest received	442	523
Finance costs paid	(61)	(15)
Interest expense on lease liabilities	(1,141)	(1,083)
Net cash (used in) / provided by operating activities	<u>(4,717)</u>	<u>8,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	15
Acquisition of property, plant and equipment	(3,065)	(3,128)
Acquisition of intangibles	(98)	-
Receipt of term deposits	-	7,471
Net cash (used in) / provided by investing activities	<u>(3,163)</u>	<u>4,358</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid on convertible note	-	(396)
Receipt / (payment) of security deposit	548	(1,887)
Repayment of lease liabilities (principal portion)	(309)	(353)
Net cash provided by/ (used in) financing activities	<u>239</u>	<u>(2,636)</u>
Net increase in cash and cash equivalents held	(7,641)	10,705
Cash and cash equivalents at 1 July	23,320	12,547
Cash and cash equivalents at 31 December	<u>15,679</u>	<u>23,252</u>

The accompanying notes form part of these financial statements

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

1. Statement of material accounting policies

a. General information

Matrix Composites & Engineering Ltd ("the Company") is a listed public company incorporated and domiciled in Australia. These consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as the "Group") as at and for the six months ended 31 December 2024.

b. Statement of compliance

The interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2024.

The accounting policies adopted in the preparation of the Interim Financial Report are consistent with those adopted and disclosed in the Group's Annual Financial Report for the financial year ended 30 June 2024.

These interim financial statements were approved by the Board of Directors on 25 February 2025.

c. Basis of preparation

The consolidated half-year report has been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies adopted in the preparation of the Interim Financial Report are consistent with those adopted and disclosed in the Group's Annual Financial Report for the financial year ended 30 June 2024.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

There are a number of new standards which are effective for annual reporting periods beginning after 1 July 2024. The Group has not had any change to its accounting policy or made any retrospective adjustments in relation to these standards. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency. The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

d. Going concern

The financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

For the period ended 31 December 2024, the Group recognised a net profit of \$1.0m and operating cash outflows of \$4.7m. The Group's net current assets as at 31 December 2024 amounted to \$28.4m.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

1. Statement of material accounting policies (continued)

Management operating forecast for the next 12 months includes:

- Execution and delivery of current contracted work at budgeted margins
- Expected work to convert in-progress (outstanding) and expected upcoming quotations with established customers, into cashflow at forecast levels and margins
- Recurring sales of established products at forecast levels and margins.

The Directors have reviewed the Company's overall financial position, including forecast operating and financing assumptions, and believe the use of the going concern basis of accounting is appropriate as they believe the Company has sufficient funds available for at least the next 12 months.

2. Operating segments

In conjunction with AASB 8 *Operating Segments*, the Group has identified its operating segment based on internal reports that are reviewed and used by the Chief Operating Decision Maker (CODM) in assessing performance and in determining the allocation of resources.

Performance monitoring and evaluation

The CODM is identified as the Chief Executive Officer (CEO) who monitors the operating results of the consolidated group and organises its business activities and product lines to serve the global oil and gas industry. The performance of the consolidated group is evaluated based on on-IFRS measures including Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") and Earnings before Interest, Taxes, Depreciation, Amortisation, and Foreign Exchange ("EBITDAF").

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	MCE Group* 31 December 2024 000's \$	MCE Group* 31 December 2023 000's \$
Revenue	39,389	26,703
EBITDAF (i)	3,175	561
Change in fair value of embedded derivative (ii)	1,955	(183)
Foreign exchange gain / (loss)	510	(926)
EBITDA	5,640	(548)
Depreciation and amortisation	(2,751)	(1,984)
EBIT	2,889	(2,532)
Net interest	(1,485)	(1,313)
Profit / (loss) before tax	1,404	(3,845)

(i) EBITDAF is reconciled to profit as above.

(ii) Relates to the change in fair value of the convertible note embedded derivative. Refer to Note 14.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

	MCE Group* 31 December 2024 \$'000	MCE Group* 30 June 2024 \$'000
Total segment assets	85,883	95,151
Total segment liabilities	54,129	64,136
Geographical Assets		
Australia	85,552	94,823
Others	331	328
	85,883	95,151
Geographical Liabilities		
Australia	54,129	64,135
Others	-	1
	54,129	64,136

Major customers

Matrix supplies goods and services to a broad range of customers in the global oil & gas industry. During the reporting period, five major customers accounted for 91% of total group revenue (31 December 2023: 71%).

*MCE Group consists of Matrix Composites & Engineering Ltd, Matrix Henderson Property Pty Ltd, Specialist Engineering Services (Aust) Pty Ltd and Matrix Composites & Engineering (US) Inc.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

3. Revenue

	31 December 2024 \$'000	31 December 2023 \$'000
Revenue from contracts with customers	39,389	26,703

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Major product lines

Design, manufacture, and supply of engineered composite products	35,521	21,409
Coatings products, equipment and service	2,171	3,831
Others	1,697	1,463
	39,389	26,703

Geographical regions

Australia	4,601	10,936
Brazil	29,336	10,311
United States of America	4,718	3,382
Others	734	2,074
	39,389	26,703

Timing of revenue recognition

Goods and services transferred at a point in time	5,801	11,392
Goods and services transferred over time	33,588	15,311
	39,389	26,703

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31 December 2024 \$'000	30 June 2024 \$'000
Trade receivables	14,374	19,283
Progress claims and deposits - contract liabilities	(409)	(10,317)
Other receivables – Contract assets	5,654	4,690
	19,619	13,874

The contract assets comprise trade receivables and other receivables which primarily relate to the Group's rights to consideration for work completed but not yet billed at reporting date on construction contracts. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relates to advance consideration received from contracts with customers.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

4. Other income / expenses and finance income / costs

	31 December 2024 \$'000	31 December 2023 \$'000
Other income		
Profit on disposal of assets	-	3
Sundry income	4	3
Change in discount on asset retirement obligation	57	-
Net foreign exchange gain	510	-
	<u>571</u>	<u>6</u>
Finance income		
Change in fair value of embedded derivative (i)	1,955	-
Interest received	442	523
	<u>2,397</u>	<u>523</u>
Other expenses		
Net foreign exchange loss	-	(926)
Accretion on asset retirement obligation	(19)	(15)
Change in discount on asset retirement obligation	-	(22)
	<u>(19)</u>	<u>(963)</u>
Finance costs		
Finance costs	(61)	(15)
Lease interest	(1,140)	(1,083)
Convertible note interest	(783)	(701)
Change in fair value of embedded derivative (i)	-	(183)
	<u>(1,984)</u>	<u>(1,982)</u>

(i) Relates to the change in fair value of the convertible note embedded derivative. Refer to Note 14.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

5. Income Tax

The income tax expense for the period can be reconciled to the accounting loss as follows:

	31 December 2024	31 December 2023
	\$'000	\$'000
Profit/ (loss) before tax	1,404	(3,845)
Income tax expense / (benefit) calculated at 30%	421	(1,154)
Effect of expenses that are not deductible in determining tax payable profit	66	60
Foreign withholding tax (i)	375	-
Effect of change in income tax rates from 25% to 30%	-	(6,407)
Utilisation of tax losses not previously recognised	(487)	-
Effect of unused tax losses not recognised	-	7,501
Total income tax expenses recognised in the current period	<u>375</u>	<u>-</u>

(i) Matrix has been engaged to work with a Brazilian customer, and an amount of \$0.375m has been withheld and paid to the Brazilian tax authorities.

The tax rate used for December 2024 was 30% payable by Australian corporate entities on taxable profits under Australian tax law.

The Directors have made a decision not to recognise deferred tax assets in the financial statements for this reporting period given the uncertainty of recovery. However, this decision has no effect on the amount accumulated tax losses that can be carried forward by the Company.

6. Cash and Cash Equivalents

	31 December 2024	30 June 2024
	\$'000	\$'000
Cash and bank balances	9,225	17,500
Short term deposits (i)	6,454	5,820
	<u>15,679</u>	<u>23,320</u>

(i) A portion of short-term deposits (\$4.0m) are placed as a security over the leased land, factory and administration buildings and the Group as a policy, ensures that the minimum balance of the same amount is maintained in the bank.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

7. Trade and other receivables

	31 December 2024	30 June 2024
	\$'000	\$'000
Trade receivables (i)	14,374	19,283
Other receivables (ii)	5,852	4,877
Security deposits (iii)	1,258	1,706
GST refundable	426	269
	<u>21,910</u>	<u>26,135</u>

- i. The Group's standard terms and conditions require customers to pay trade receivables within 30 days from invoice date. The average collectability timeframe is ordinarily between 30 to 60 days. These amounts are generally non-interest bearing, although, there are customers who will be subjected to interest charges at management's discretion. The Group has assessed the recoverability of all amounts and no allowance is required for the trade receivables.
- ii. Other receivables (contract assets) of \$5.65m (June 2024: \$4.69m) relate to completed products which have been recognised as revenue but are yet to be invoiced, pending collection by customers.
- iii. Balance relates primarily to a security deposit paid to Export Finance Australia to fully or partially cash-back bank guarantees.

8. Inventories

	31 December 2024	30 June 2024
	\$'000	\$'000
Raw materials	5,012	4,598
Work in progress (i)	2,507	1,850
Finished goods	2,877	2,253
	<u>10,396</u>	<u>8,701</u>

- i. The work in progress at cost reflects the resources consumed for uncompleted projects which are to be completed in the subsequent financial period.

9. Prepayments

	31 December 2024	30 June 2024
	\$'000	\$'000
Current assets		
Prepayments (i)	<u>2,434</u>	<u>1,611</u>
Non-current assets		
Prepayments (i)	<u>-</u>	<u>332</u>

- i. Interest prepayment of \$0.7m on convertible note has been classified as current with the convertible note due to expire in December 2025.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

10. Property, plant and equipment

	Plant and equipment \$'000	Motor vehicles \$'000	Office equipment \$'000	Computer equipment \$'000	Assets under construction \$'000	Total \$'000
Opening carrying amount at 1 July 2024	14,531	27	4	111	644	15,317
Additions	298	-	5	59	2,703	3,065
Transfers	3,327	-	-	-	(3,327)	-
Depreciation/amortisation expenses	(1,989)	(2)	(1)	(30)	-	(2,022)
Closing carrying amount at 31 December 2024	16,167	25	8	140	20	16,360

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

11. Intangibles

	\$'000
Opening carrying amount 1 July 2024	990
Additions	98
Amortisation expense	(109)
Closing carrying amount at 31 December 2024	979

12. Leases

Right-of-use asset

	\$'000
Cost:	
At 1 July 2024	43,061
Additions / change in rate	-
At 31 December 2024	43,061
Accumulated depreciation and impairment:	
At 1 July 2024	(24,316)
Charge for the period	(620)
At 31 December 2024	(24,936)
Carrying amount	
At 30 June 2024	18,745
At 31 December 2024	18,125

The right-of-use asset is depreciated over 20 years on a straight-line basis. The initial lease term commencing in 2019 for the premises in Henderson is 20 years with an option to extend for 15 years. At as the reporting date, considering the length of time Matrix has not yet determined the likelihood of extension. Hence, the option of 15 years has not been considered in calculating the value of the right-of-use asset and lease liability.

Lease liability

	31 December	30 June
	2024	2024
	\$'000	\$'000
Current liability	667	630
Non-current liability	29,501	29,847
	30,168	30,477

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored internally by the Group's management. A total of \$4.0m bank guarantees are in place as a security over the leases.

The bank guarantee is issued by ANZ. Any bank guarantees issued by ANZ are secured by a right of set off over term deposits held by the Company to the value of the outstanding bank guarantees. The value of this right of set off at 31 December 2024 was \$4.0m (30 June 2024: \$3.3m).

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

12. Leases (continued)

Lease exemptions

At 31 December 2024, Matrix is committed to \$0.031m (31 Dec 2023: \$0.085m) in relation to the office equipment leases. Matrix has assessed the value of the underlying assets and considered them as short-term or low value assets, respectively. Therefore, Matrix has applied the lease exemptions and accounted for the lease payments as an operating expense on a straight-line basis over the lease term. The operating expense presented in the interim consolidated statement of profit or loss and other comprehensive income are as follows:

	31 December 2024 \$'000	31 December 2023 \$'000
Multiple copiers	5	5
Multiple IT equipment	23	23
	<u>28</u>	<u>28</u>

13. Trade and other payables

	31 Dec 2024 \$'000	30 June 2024 \$'000
Trade payables	6,161	6,189
Other creditors and accruals	3,883	3,564
GST Payable	137	82
	<u>10,181</u>	<u>9,835</u>

Trade and other payables are generally paid within 30 to 45 days. No security is provided for these liabilities, and no interest has been paid.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

14. Convertible note

	\$'000
Derivative liability at 30 June 2024	2,661
Change in fair value	(1,955)
Derivative liability at 31 December 2024	706
Financial liability at 30 June 2024	6,255
Unwinding of prepaid interest	(394)
Interest charged (using effective interest rate)	783
Financial liability at 31 December 2024	6,644
Total convertible note liability at 31 December 2024	7,350

The derivative liability has been revalued at 31 December 2024 with the fair value adjustment being recognised in the profit or loss. The Company has calculated the fair value of the derivative using the following key assumptions:

- Maturity of 12 months
- Volatility of 66%
- Risk free rate of 3.886%
- Conversion price of 30.63 cents

15. Forward contract liability

	31 December	30 June
	2024	2024
	\$'000	\$'000
<i>Current Liabilities</i>		
Forward contract liability	1,527	69
	1,527	69

Management has entered into foreign exchange contracts to manage the foreign currency risk associated with anticipated sales and purchase transactions. The forward contract liability relates to the unrealized foreign exchange loss of these contracts.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

16. Financial Instruments

Fair value of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the financial asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2024

	Note	Fair value							
		FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets not measured at fair value									
Cash and other equivalents	6	-	15,679	-	15,679	-	-	-	-
Trade and other receivables	7	-	21,484	-	21,484	-	-	-	-
		-	37,163	-	37,163	-	-	-	-
Financial liabilities measured at fair value									
Convertible note – embedded derivative	14	(706)	-	-	(706)	-	(706)	-	(706)
Forward contract liability	15	(1,527)	-	-	(1,527)	-	(1,527)	-	(1,527)
		(2,233)	-	-	(2,233)	-	(2,233)	-	(2,233)
Financial liabilities not measured at fair value									
Trade and other payables	13	-	-	(10,044)	(10,044)	-	-	-	-
Lease liabilities	12	-	-	(30,168)	(30,168)	-	-	-	-
Convertible note – liability component	14	-	-	(6,644)	(6,644)	-	-	-	-
		-	-	(46,856)	(46,856)	-	-	-	-

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

16. Financial Instruments (continued)

30 June 2024

	Note	Fair value							
		FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets not measured at fair value									
Cash and other equivalents	6	-	23,320	-	23,320	-	-	-	-
Trade and other receivables	7	-	25,866	-	25,866	-	-	-	-
		-	49,186	-	49,186	-	-	-	-
Financial liabilities measured at fair value									
Convertible note – embedded derivative	14	(2,661)	-	-	(2,661)	-	(2,661)	-	(2,661)
Forward contract liability	15	(69)	-	-	(69)	-	(69)	-	(69)
		(2,730)	-	-	(2,730)	-	(2,730)	-	(2,730)
Financial liabilities not measured at fair value									
Trade and other payables	13	-	-	(9,753)	(9,753)	-	-	-	-
Lease liabilities	12	-	-	(30,477)	(30,477)	-	-	-	-
Convertible note – liability component	14	-	-	(6,255)	(6,255)	-	-	-	-
		-	-	(46,485)	(46,485)	-	-	-	-

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

16. Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Valuation technique and key inputs	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Convertible note – embedded derivative	The following variables were taken into consideration: current underlying share price, options strike price, time until expiration, implied share price volatility and risk-free rate.	N/A	N/A
Forward contract liability	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

17. Issued Capital

	31 December 2024 \$'000	30 June 2024 \$'000
Issued and paid up capital 223,811,179 (30 June 2024: 219,550,565) ordinary shares	140,365	139,992
Movements in ordinary share capital		
	Number of shares	\$000's
Balance 1 July 2023	218,146,168	139,851
Shares issued during the period	1,404,397	141
Balance 30 June 2024	219,550,565	139,992
Shares issued during the period (i)	4,260,614	373
Balance 31 December 2024	223,811,179	140,365

i. Share issue relates to partial vesting of FY21 performance rights.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2024

17. Issued Capital (continued)

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. Ordinary shares carry one vote per share.

As of 31 December 2024, there has been no new issue of performance rights or share options.

18. Dividends

In respect of the reporting period ended 31 December 2024, no interim dividend was paid (2023: nil)

19. Contingencies

The Group had no contingent liabilities or assets requiring disclosure at 31 December 2024 (2023: nil).

20. Events occurring after the reporting date

The Board of Matrix had received a letter of resignation from Steven Cole, resigning from the Board effective 28th February 2025. Other than this no matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Groups operations, the results of those operations, or the Group's state of affairs for future years.

Directors' Declaration

The directors of the Company declare that:

1. The interim consolidated financial statements and notes, as set out on pages 4 to 22 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half year ended on that date.
2. In the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



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Aaron P Begley
Managing Director & Chief Executive Officer

25 February 2025



Independent Auditor's Review Report

To the shareholders of Matrix Composites & Engineering Ltd

Report on the Interim Consolidated Financial Report

Conclusion

We have reviewed the accompanying **Interim Consolidated Financial Report** of Matrix Composites & Engineering Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Consolidated Financial Report of Matrix Composites & Engineering Ltd does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2024 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Consolidated Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2024.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date.
- Notes comprising material accounting policies and other explanatory information.
- The Directors' Declaration.

The **Group** comprises Matrix Composites & Engineering Ltd (the Company) and the entities it controlled at the half year end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Interim Consolidated Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Consolidated Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Consolidated Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Consolidated Financial Report

Our responsibility is to express a conclusion on the Interim Consolidated Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Consolidated Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Consolidated Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Graham Hogg

Partner

Perth

25 February 2025