

QUARTERLY UPDATE

Q4 FY14

Summary

- Higher production levels exceeding nameplate capacity as the plant adjusted to a full quarter under three-shifts
- Current order book at US\$65m; delayed order conversion has resulted in reduced backlog. Significant near term opportunities exist which are expected to convert in near term
- Gaining traction in replacement riser buoyancy market
- Continued penetration into SURF equipment market
- Growing demand for well centraliser products

Matrix

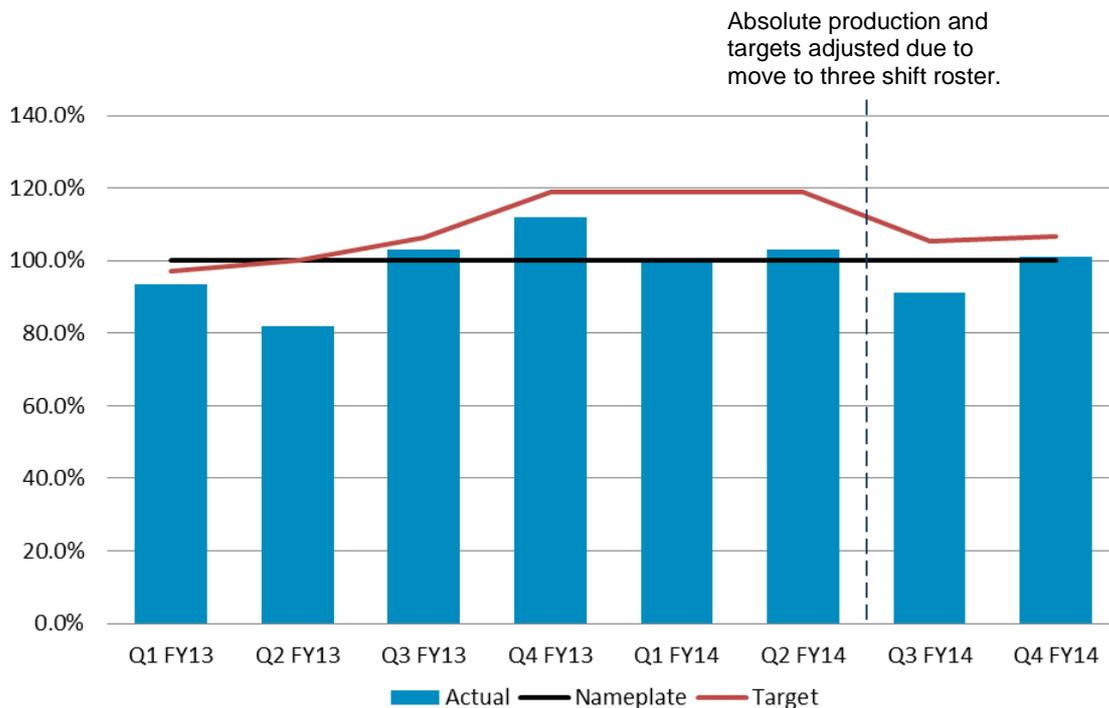
Composites & Engineering



Welcome to the Matrix Composites & Engineering 'Quarterly Update' for Q4 FY14. The update provides a snapshot of the Company's key business indicators including production rates, orders, quoting activity and product development, as well as the market outlook for the Company's products and services.

PRODUCTION

GRAPH 1 – Actual v Target Production Q1 FY13 – Q4 FY14



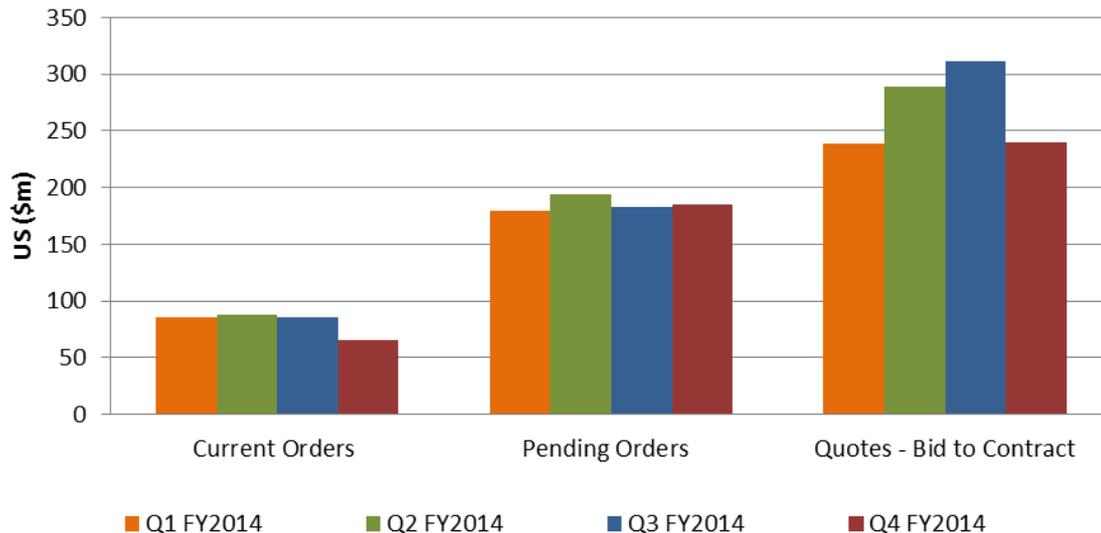
Production output increased strongly in Q4 FY14, as Matrix adapted to the introduction of a third shift (from two shifts) at its Henderson plant in mid-February 2014. This third shift allowed Matrix to meet client delivery schedules, with output exceeding nameplate capacity at 101.2 per cent in Q4 FY14. Furthermore, actual output was 17 per cent higher than Q3 FY14 and more than 40 per cent above what was achieved in Q4 FY13.

The production backlog has softened due to a lag in conversion of customer orders. Matrix has responded to this softer short-term outlook by moderating production output, allowing weekly maintenance to be completed during normal hours. Notwithstanding this, Matrix expects to continue operating at three shifts for the foreseeable future, which is appropriate given sufficient contracted and anticipated work until at least Q2 FY15. Matrix will however remain flexible in running production according to customer demand.

Matrix continues to invest in material research and development to create leading edge products for its customers.

ORDER BOOK & PIPELINE

GRAPH 2 – Order Book, Pending Orders & Quotes (US\$) as at 30/6/14



- **Current order book** – Matrix has experienced a decline in the current order book to US\$65 million, as a result of slower than anticipated order conversion. Matrix secured US\$30 million in new orders in Q4 FY14 (comprising US\$28 million for drilling products and US\$2 million for SURF). The decline in backlog resulted from delays in the order of drilling products, with protracted award processes and slippage in vessel delivery dates impacting conversion. Matrix considers significant near term opportunities exist to replenish the order book and support ongoing three-shift production.
- **Pending orders** – increased marginally over the previous quarter to US\$185 million, however remains below expectations. Matrix continues to be a preferred supplier to shipyards and drilling contractors resulting in strong quotation activity.
- **Bid to contract quotations** – stood at US\$240 million in Q4 FY14, returning to levels similar to those seen in Q1 FY14. These quotes continue to reflect an ongoing strong quality of the quotation pipeline as – with defined work packages – this work is considered to have a greater likelihood of conversion into orders than other tender opportunities.

Matrix continues to see positive quotation activity, particularly ongoing demand for drilling riser buoyancy products and growing demand for SURF products. Despite delays in orders, the quotation pipeline remains aligned with strong forecast demand for drillship orders (Graphs 4 and 5) and options over the next five years. Total quotations at Q4 FY14 were US\$535 million.

Current orders – the value of contracted work (where a purchase order (PO) has been received) that has not been produced

Pending orders – the value of contracts under negotiation where no formal PO has been received although Matrix has a reasonable degree of confidence in securing the contract

Bid to contract quotations – a quotation to a client that has been awarded a defined work package

Total quotations – the value of all contracts that Matrix has quoted on or responded to via tender (includes pending order book)

Drilling Products

In Q4 FY14 Matrix received orders for drilling products worth approximately US\$28 million, similar to Q3 FY14. Matrix did experience some delays to finalization of orders due to a combination of protracted award processes and slippage in vessel delivery dates.

Pleasingly, Matrix has been able to capture work from the increasingly active market for replacement and spare riser buoyancy, which provides added diversity.

Meanwhile, the primary new build market remains strong and quotation activity remains high. Despite Matrix experiencing some slippage in orders across H2 FY14, the Company continues to maintain a significant pipeline of opportunities in the new build market. This is most notably with shipyard customers, which Matrix is confident will convert in H1 FY15 to support the Company's production schedule for FY15.

Upstream SURF Ancillary Equipment

In Q4 FY14 Matrix secured a significant new order for large installation buoyancy required for the Australian market.

Outside Australia, there remained strong demand for SURF products in the quarter, particularly the deep-water African market, with an increase in tendering activity for large projects.

Matrix continues to work closely with major SURF contractors and operators in developing its product range to further penetrate the SURF market. Matrix is progressing well in the approval of further products for that market.

Well Construction Products

Centralizer sales were strong in Q4 FY14, recovering from Q3 FY14 with revenue 60 per cent higher than the previous quarter. This was largely a result of increased sales to existing customers in the North American market, driven by the recovery of drilling activity following the extreme weather conditions experienced during Q3 FY14.

Matrix received strong market interest during the quarter, notably from the North American market, where the improved in-field performance of Matrix's centralizers continues to receive wider acknowledgement from the drilling industry. In order to further develop its position, Matrix is currently trialing a number of products with new customers.

Matrix remains optimistic about the continued development and penetration of its centralizer product in the North American market and the existing opportunities which continue to improve in that sector.

Matrix Offshore Services & Engineering (MOSE)

Matrix made significant progress in Q4 FY14 to reorganise MOSE with the objective of having an organisational and operating structure that supports sustainable levels of revenue while maintaining capabilities. MOSE continues to be challenged by declining fabrication and machining revenue from the mining sector, with revenue declining in Q4 FY14. During Q4 FY14 the Company has:

1. continued to refine the target market for the products and services provided by MOSE;
2. consolidated operations into one location at Malaga; and

3. established group-wide engineering, estimating and quotation, project management, accounting, and procurement functions at the Henderson corporate office, improving staff utilisation.

Matrix will remain responsive to market conditions to ensure ongoing alignment with the business outlook for MOSE.

MOSE remains focussed on providing integrated solutions in three key areas:

1. Capital drilling equipment (CDE) repairs and maintenance, including oilfield tubulars, conductors and connectors;
2. Offshore services – mechanical repair, maintenance and engineering services for offshore mobile drilling platforms;
3. Subsea engineered products and services – inspection, maintenance and repair (IMR) engineering and support, bespoke engineered products and installation equipment.

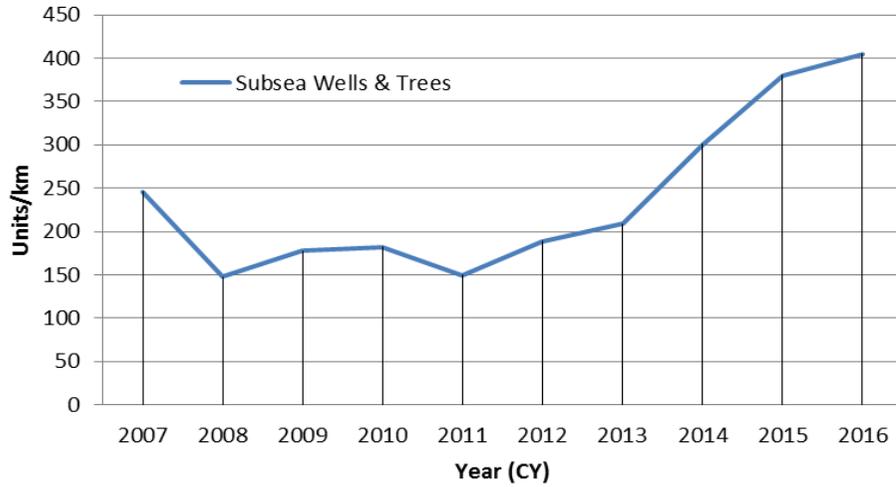
MOSE's key target market is the offshore oil and gas sector, particularly in the Western Australian offshore region. Matrix remains optimistic in securing traction of enhanced commitments from emerging opportunities in this region.

MACRO INDICATORS

Drilling Products

Data Source: Douglas-Westwood 2013

GRAPH 3: Subsea Wells & Trees – Global Capex – Units/km by Component

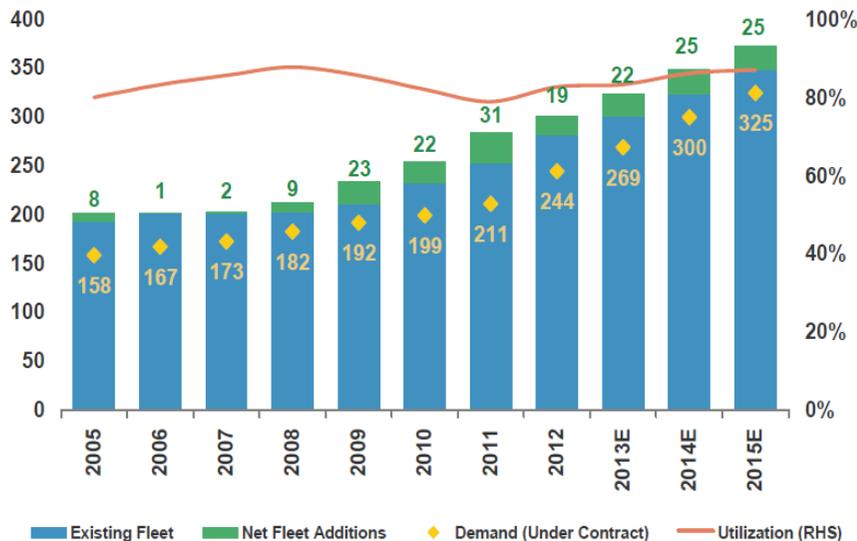


Source: Company Data, June 2014

GRAPH 4: World Number of Confirmed New builds

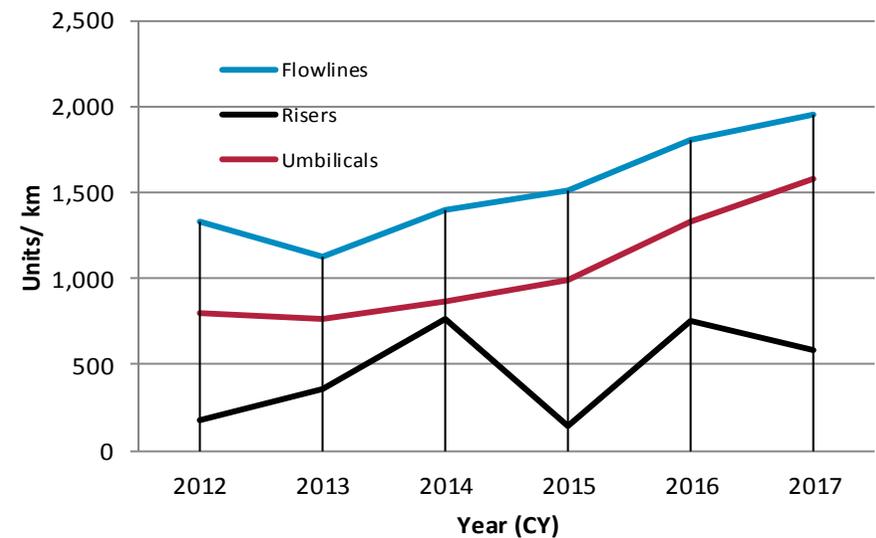


GRAPH 5: Floater Supply/ Demand (Under Contract)



SURF Ancillary Equipment

GRAPH 6: Global Capex – Units/ km by Component



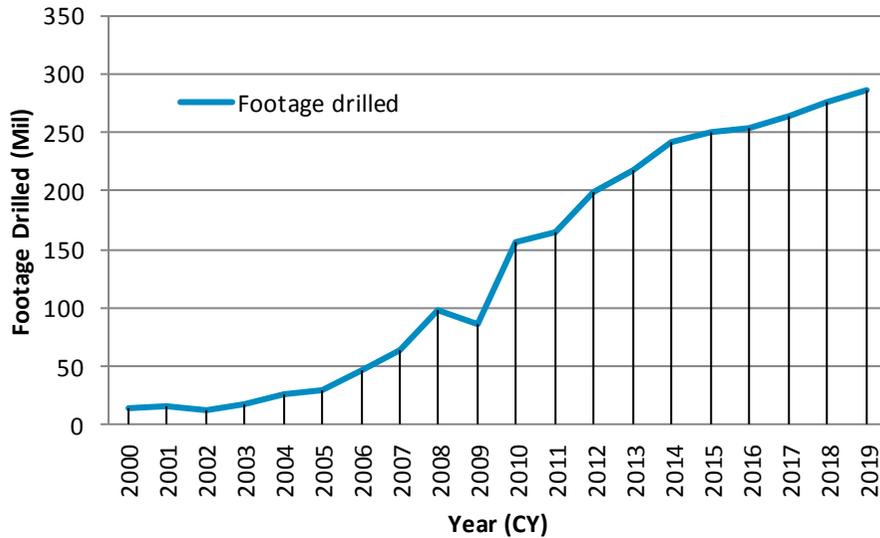
Source: Morgan Stanley, Global Oil Services, Drilling Equipment, September 2013

Source: Douglas-Westwood 2013

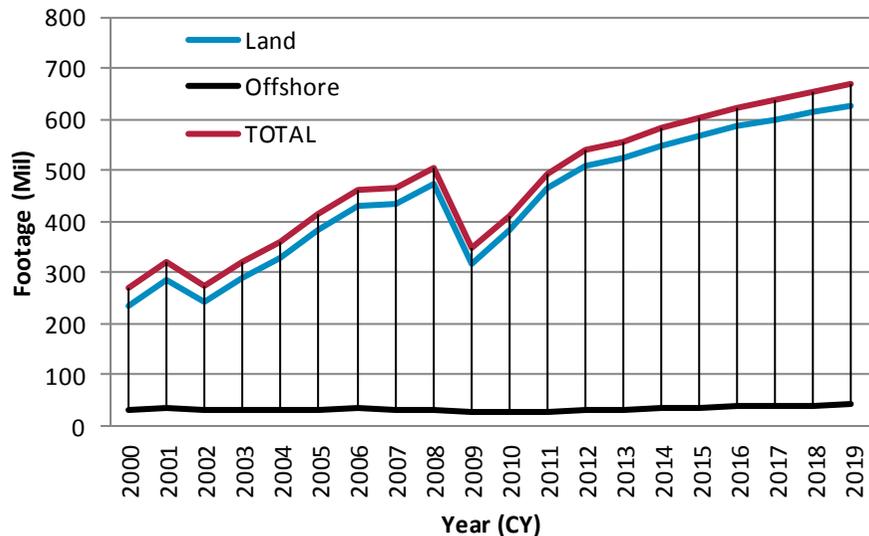
MACRO INDICATORS

Well Construction Products

GRAPH 7: US Drilling & Production Outlook – Horizontal Footage Drilled (Mil)



GRAPH 8: World Drilling & Production Outlook – Land & Offshore¹



MACRO OUTLOOK

- The macro outlook for the oil and gas sector remains strong.
- Drilling Products / SURF ancillary products – the structural shift to deep-water drilling, subsea completions and production underpins the demand for Matrix’s market leading buoyancy products.
- Drilling Products – the total number of subsea wells and trees (Graph 3) is expected to increase significantly from 2014 to 2016, which will drive long term demand for deep-water floaters (Graph 5). This increases demand for new riser buoyancy modules and their maintenance, repair and replacement, as well as the Company’s range of SURF ancillary products. As portrayed in Graph 4, the world number of confirmed new builds is expected to increase significantly over the next five years.
- SURF Ancillary Products – deployment of subsea flowlines, risers and umbilicals (Graph 6) is forecast to increase over the next five years.
- Well Construction Products – total footage drilled, especially in the US, continues to increase significantly (Graph 7 & 8) which will drive demand for the Company’s consumable well construction products designed for directional and horizontal wells.

Data Source: Baker Hughes, Spears & Associates, December 2013

¹ Excludes Russia, China and Central Asia