

# QUARTERLY UPDATE

Q2 FY13

## Summary

- Current order book increased by 51 per cent
- Quotes remain at near record highs
- Launch of new high impact resistant centralisers
- Reconfigured plant shift roster and operational structure to improve flexibility and responsiveness to market demand
- Macro indicators continue to trend strongly for products

# Matrix

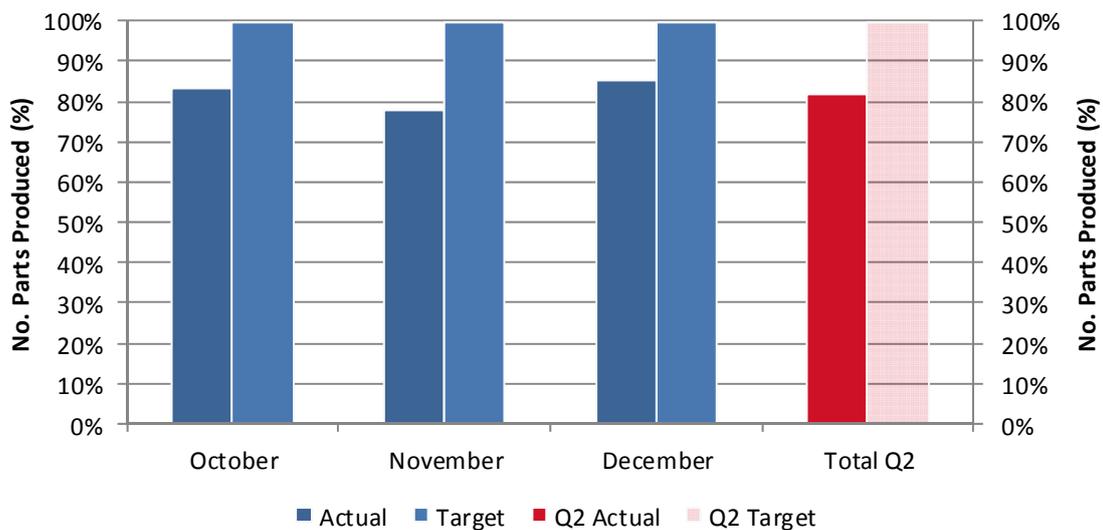
Composites & Engineering



Welcome to the Matrix Composites & Engineering ‘Quarterly Update’ for Q2 FY13. The update provides a snapshot of the Company’s key business indicators including production rates, orders, tendering activity and product development, as well as the market outlook for the Company’s products and services.

# PRODUCTION

**GRAPH 1 – Actual v Target Production Q2 FY13 (Two Shift Roster)**



In early Q2 FY13 Matrix reconfigured its plant shift roster from three x eight hour shifts to two x eight hour shifts and amended its operational structure which resulted in lower production levels for the quarter. Matrix retains the flexibility to return to, and maintain increased plant capacity by either extending the length of shifts, adding additional shifts on weekends or re-instating a third shift.

The improved production operating performance of the Henderson facility has significantly increased the potential output from the plant at a lower cost structure which will increase the Company’s leverage to any future increase in demand.

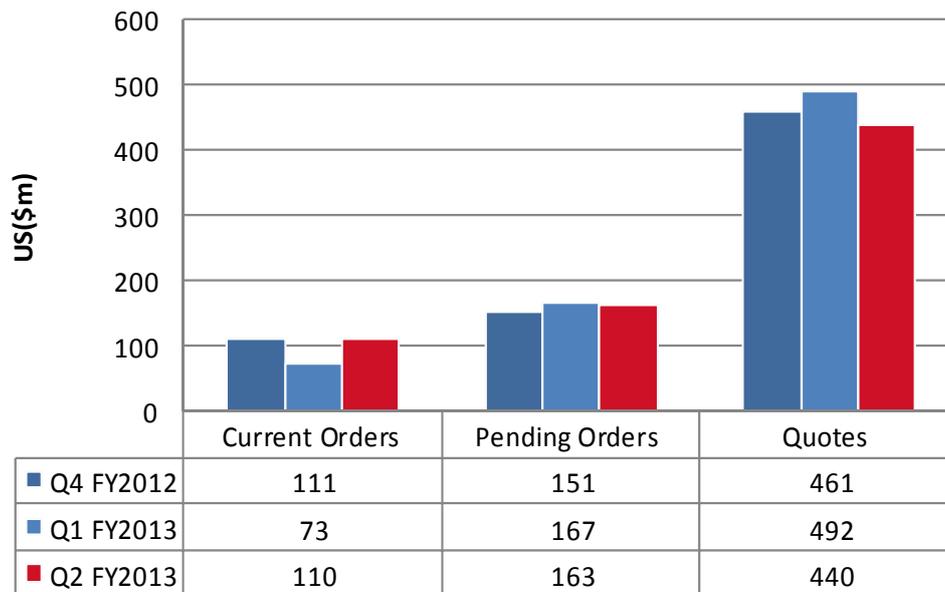
Production levels for Q2 FY13 were 82 per cent of target levels due to production disruptions from the shift restructure in late October 2012. Production levels have since stabilized following the post-Christmas plant start-up.

With the recently awarded contracts announced in December 2012 and existing work underway, buoyancy manufacturing capacity will be fully loaded under the current two shift roster for the remainder of FY13.

Product volumes and revenue for centralisers in Q2 FY13 continued to increase albeit at a slower than anticipated rate. Volumes and revenue are expected to grow solidly throughout CY13.

# ORDER BOOK & PIPELINE

GRAPH 2 – Order Book, Tender Activity & Pipeline (US\$) Q2 FY13 (as at 31 December 2012)



The current order book increased by 51 per cent to US\$110 million, due largely to the award of five new riser buoyancy contracts valued at US\$54.9 million. The Company's quotations remain close to record highs.

Matrix is focused on building its current order backlog to higher levels over the remainder of FY13.

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 high degree of confidence in securing the contract

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

## Drilling Products

As previously announced, Matrix was awarded five new contracts in Q2 FY13 for riser buoyancy valued at US\$54.9 million. Four of the new riser buoyancy contracts are for modules which will be used on drillships and semi-submersibles from fleets previously equipped with Matrix riser buoyancy modules. The fifth contract is for buoyancy that will be used on the first drillship ever made in Brazil, a key market for Matrix. The contracts are scheduled to be manufactured and delivered in FY13 and FY14.

The market for the repair and replacement of riser buoyancy systems in Brazil is continuing to grow with a contract awarded for the replacement of riser buoyancy by a leading deepwater drilling contractor for use on a semi-submersible rig in Brazil. Matrix is well positioned to service the rapidly growing replacement market due to its reputation within the global marketplace, the quality of its products and manufacturing scale which allows for shorter supply turnaround times. Activity in shipyards continues to increase which will fuel the medium term demand for our riser buoyancy modules.

## Upstream SURF Ancillary Equipment

Matrix's Subsea, Umbilical, Riser and Flowline (SURF) ancillary equipment line continues to grow steadily with the award of a significant contract for installation buoyancy from a major offshore pipelay and subsea construction company. The installation buoyancy will be used on rigid pipelines on one of Australia's largest resource projects.

Matrix was also awarded a contract via its UK office from a new client involved in the cable industry. The contract is for Matrix's new VersaSlab product which will be used to produce subsea buoyant wheels to support subsea trenching equipment. VersaSlab is a standard range of composite syntactic sheets and foam blocks used to produce buoyancy devices for subsea applications in the oil and gas industry, as well as other industries including the cable industry. Matrix has also been qualified by a number of major OEM's to supply a range of SURF ancillary products.

In-line with the forecast increase in the deployment of subsea flowlines, risers and umbilicals (Graph 7) which fuels demand for the Company's SURF ancillary product line, Matrix released a new range of installation buoyancy in Q1 FY13, as well as a polyurethane field joint coating product and a new range of ROV skid/ tooling buoyancy.

## Well Construction Products

In Q2 FY13 Matrix launched its 'Ballistic' centralizer, a new range of composite centralizers made from a high impact resistant polymer material. The material was specifically developed for drilling in extremely cold temperatures and for use in operations where centralisers are subject to high impact force during transportation, handling, or installation. Matrix has already received a number of orders for this new product which are due for delivery in February 2013.

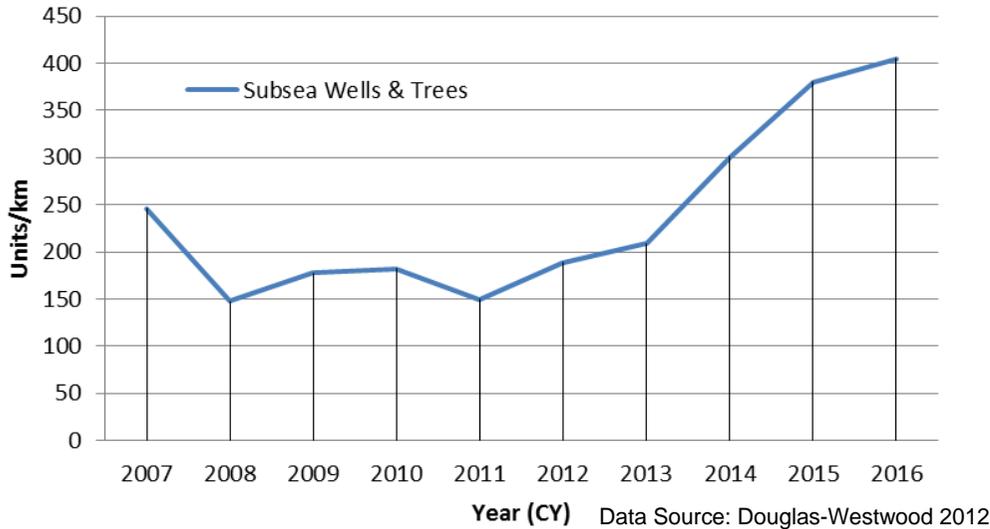
Matrix continued to supply centralisers throughout Q2 FY13 to several major oil and gas producers, and well equipment OEM's in Canada and the US under supply contracts and direct sales. Product volumes and revenue for centralisers in Q2 FY13 continued to increase albeit at a slower than anticipated rate. Volumes and revenues are expected to continue growing throughout CY13.

The centralizer product line continues to expand in terms of new sizes and grades and will be stocked in the Company's warehouses in Houston, Texas and Henderson, Western Australia.

# MACRO INDICATORS

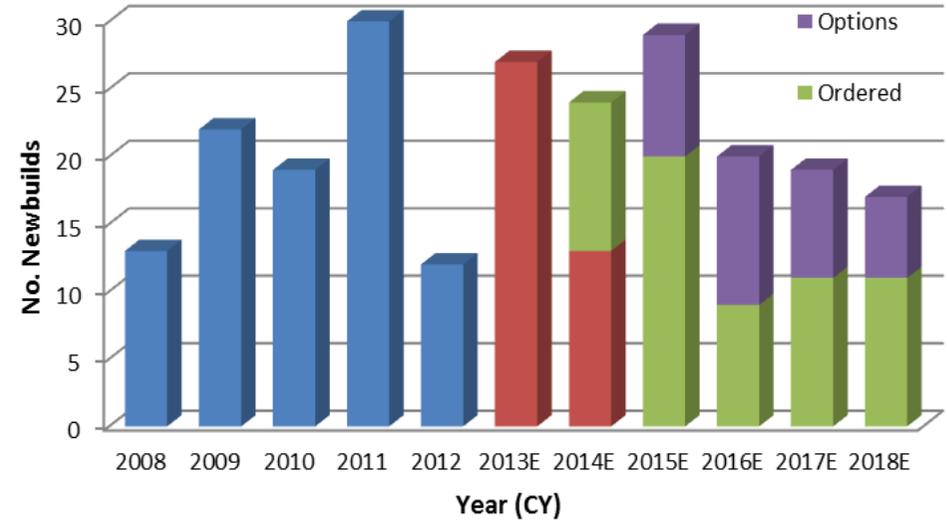
## Drilling Products

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



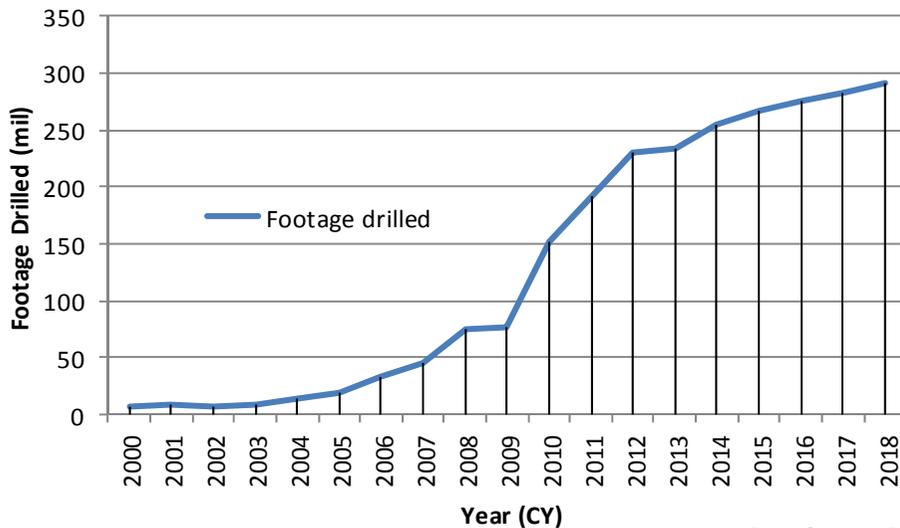
**GRAPH 4: World Number of Confirmed Newbuilds**

Source: Company Data, January 2013

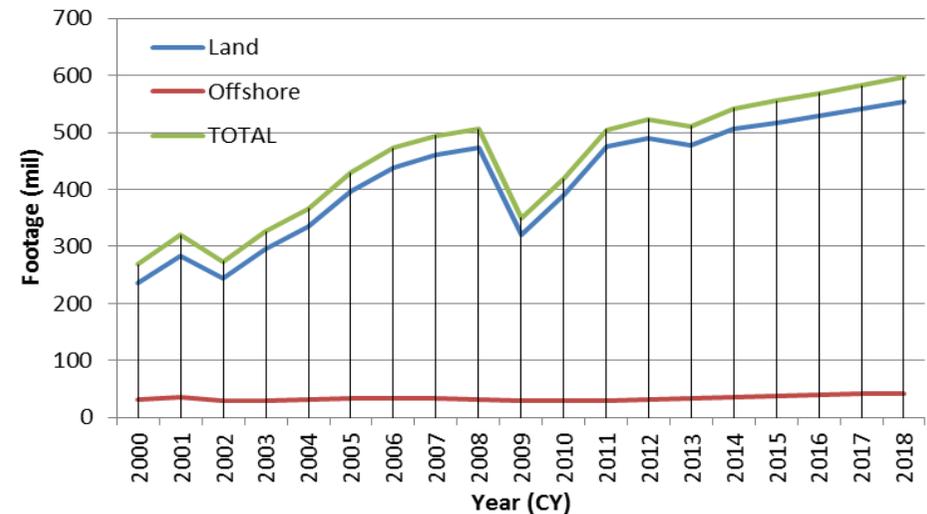


## Well Construction Products

**GRAPH 5: US Drilling & Production Outlook – Horizontal Footage Drilled (mil)**



**GRAPH 6: World Drilling & Production Outlook – Land & Offshore<sup>5</sup>**

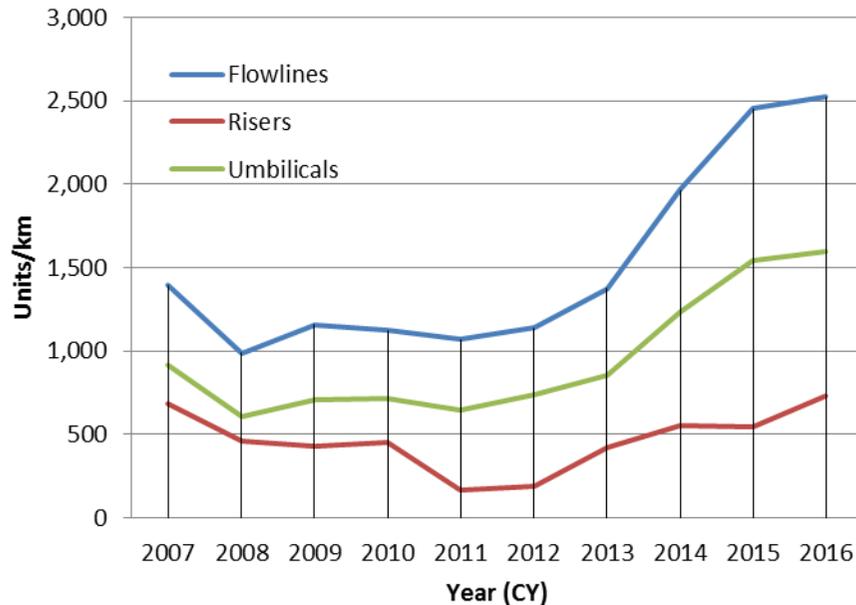


<sup>5</sup>Excludes Russia, China & Central Asia

# MACRO INDICATORS

## SURF Ancillary Equipment

GRAPH 7: Global Capex – Units/km by Component



Data Source: Douglas-Westwood 2012

# OUTLOOK

- The macro outlook for the oil and gas sector remains strong
- Matrix expects to grow its current order book over the remainder of FY13 as the timing of order conversion improves. The plant shift re-configuration an amendment to the operational structure will allow Matrix to respond rapidly to increased demand within a lower cost structure.
- Drilling products/ SURF ancillary products - the structural shift to deepwater 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 2012 to 2016 which will drive long term demand for deepwater floaters (Graph 4). This increases demand for Matrix's riser buoyancy modules including their maintenance, repair and replacement, as well as the Company's range of SURF ancillary products. The world number of confirmed newbuilds (Graph 4) is expected to increase significantly from lower levels in 2012 which originated from a decline in orders in 2009.
- SURF ancillary products – deployment of subsea flowlines, risers and umbilicals (Graph 7) is forecast to increase substantially over the next five years. Matrix has been qualified by a number of major OEM's to supply a range of SURF ancillary products and has developed a range of products to ensure growth and diversification in this expanding market.
- Well construction products – total footage drilled, especially in the US, continues to increase significantly (Graph 5 & 6) which will drive demand for the Company's consumable well construction products designed for directional and horizontal wells. Matrix continues to expand its range of centralisers to grow market share.