

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Matrix Composites & Engineering Ltd

ABN

54 009 435 250

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <p>Up to 5,138,767 fully paid ordinary shares (subject to the reconciliation of shareholder entitlements) under the accelerated non-renounceable entitlement offer announced to ASX on 23 May 2012 ("Entitlement Offer"), comprising an offer to institutional shareholders ("Institutional Entitlement Offer") and an offer to retail shareholders ("Retail Entitlement Offer").</p> <p>Up to 12,333,041 fully paid ordinary shares under the institutional placement announced to ASX on 23 May 2012 ("Placement").</p> |

+ See chapter 19 for defined terms.

3	Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	Fully paid ordinary shares
4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	Yes. The fully paid ordinary shares will rank equally with the existing fully paid ordinary shares in Matrix Composites & Engineering Ltd (Matrix) from the date of allotment. The fully paid ordinary shares issued under the Placement will not be entitled to participate in the Entitlement Offer.
5	Issue price or consideration	\$2.10 per share.
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	The proceeds from the issue will be used to strengthen Matrix's balance sheet and provide for enhanced financial capability to pursue larger scale tendering opportunities, for the partial repayment of its debt facilities and creditors, to provide for additional working capital and pay the costs of the offer.
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	29 May 2012 for shares issued under the Institutional Entitlement Offer and the Placement. 25 June 2012 for shares issued under the Retail Entitlement Offer.

8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	<table><tr><th>Number</th><th>⁺Class</th></tr><tr><td>After completion of the Entitlement Offer and Placement there will be up to 94,553,315 fully paid ordinary shares on issue (based on the number of shares on issue as at the date of this Appendix 3B and the number of shares to be issued under the Entitlement Offer and the Placement, subject to the effects of rounding).</td><td>Fully paid ordinary shares</td></tr></table>	Number	⁺ Class	After completion of the Entitlement Offer and Placement there will be up to 94,553,315 fully paid ordinary shares on issue (based on the number of shares on issue as at the date of this Appendix 3B and the number of shares to be issued under the Entitlement Offer and the Placement, subject to the effects of rounding).	Fully paid ordinary shares
Number	⁺ Class					
After completion of the Entitlement Offer and Placement there will be up to 94,553,315 fully paid ordinary shares on issue (based on the number of shares on issue as at the date of this Appendix 3B and the number of shares to be issued under the Entitlement Offer and the Placement, subject to the effects of rounding).	Fully paid ordinary shares					
9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in clause 2 if applicable)	<table><tr><th>Number</th><th>⁺Class</th></tr><tr><td>N/A</td><td></td></tr></table>	Number	⁺ Class	N/A	
Number	⁺ Class					
N/A						
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No change. The dividend policy for the new shares is the same as for shares already on issue.				

⁺ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No.
12	Is the issue renounceable or non-renounceable?	Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable.
13	Ratio in which the ⁺ securities will be offered	1 new fully paid ordinary share for every 15 fully paid ordinary shares held at the Record Date.
14	⁺ Class of ⁺ securities to which the offer relates	Fully paid ordinary shares.
15	⁺ Record date to determine entitlements	7.00 pm (AEST) 28 May 2012.
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No.
17	Policy for deciding entitlements in relation to fractions	Where fractions arise in the calculation of shareholders' entitlements under the Entitlement Offer, they will be rounded up to the next whole number of new fully paid ordinary shares.
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	All countries other than Australia and New Zealand.
19	Closing date for receipt of acceptances or renunciations	Institutional Entitlement Offer – 23 May 2012. Retail Entitlement Offer – 15 June 2012

20	Names of any underwriters	Argonaut Capital Limited (" Argonaut ") has agreed to settlement underwrite the Institutional Entitlement Offer and the Placement, and fully underwrite the Retail Entitlement Offer, on the terms and conditions of an underwriting agreement.
21	Amount of any underwriting fee or commission	An underwriting fee of 4% of the total proceeds of each of the Institutional Entitlement Offer, Retail Entitlement Offer and the Placement.
22	Names of any brokers to the issue	Not applicable.
23	Fee or commission payable to the broker to the issue	Not applicable.
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	Not applicable.
25	If the issue is contingent on +security holders' approval, the date of the meeting	Not applicable.
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	No prospectus or Product Disclosure Statement is being produced. However, the Retail Entitlement Offer documents will be sent to the eligible retail shareholders on or about 31 May 2012.
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable.
28	Date rights trading will begin (if applicable)	Not applicable.
29	Date rights trading will end (if applicable)	Not applicable.
30	How do +security holders sell	Not applicable.

+ See chapter 19 for defined terms.

	their entitlements <i>in full</i> through a broker?	
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable.
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	Not applicable.
33	+Despatch date	Refer to item 7 of this Appendix 3B.

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories

1 - 1,000

1,001 - 5,000

5,001 - 10,000

10,001 - 100,000

100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought					
39	Class of +securities for which quotation is sought					
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment					
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)					
42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Number</th> <th style="width: 50%; padding: 5px;">+Class</th> </tr> </thead> <tbody> <tr style="height: 100px;"> <td></td> <td></td> </tr> </tbody> </table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



.....
(Director/Company secretary)

Date: 23 May 2012

Print name: Peter Tazewell

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