
ADDENDUM TO 2018 NOTICE OF ANNUAL GENERAL MEETING

Addendum to Notice of AGM

Matrix Composites and Engineering Ltd (the Company) gives notice to shareholders of the Company, in relation to the 2018 Notice of Annual General Meeting issued on 5 October 2018 (**Notice of AGM**) in respect of the Company's 2018 annual general meeting of members (**AGM**) detailed below, the Directors have determined to issue this addendum to the Notice of AGM (**Addendum to Notice of AGM**).

Time and date of AGM:	10.00 am (WST) on Thursday, 8 November 2018
Location of AGM:	Garden Island Room, AMC Jakovich Centre, 4 McGrath Road, Henderson, Western Australia

Reasons for this Addendum to Notice of AGM

This Addendum to the Notice of AGM is issued to rectify an error in Resolution 2 – Grant of Share Appreciation Rights to Managing Director and Chief Executive Officer Mr Aaron Begley.

Resolution 2 and the explanatory memorandum in respect of Resolution 2 propose the Company issue Mr Begley 1,845,455 Share Appreciation Rights (**SARs**). This proposal was based upon an independent valuation of a SAR at \$0.233 by BDO. After the issue of the Notice of AGM, BDO identified an error in their valuation of the SARs and revalued a SAR at \$0.11. Based upon the revised BDO valuation, the proposal is to issue 1,845,455 SARs to Mr Begley under the Matrix Rights Plan.

The revised Resolution 2 along with the explanatory statement for the revised Resolution 2 is detailed below.

Terms and abbreviations used in this Addendum to Notice of AGM are the same as those defined in the Notice of AGM.

RESOLUTION 2 – GRANT OF SHARE APPRECIATION RIGHTS TO MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER MR AARON BEGLEY

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the Managing Director and Chief Executive Officer Aaron Begley of 1,845,455 Share Appreciation Rights under the Matrix Rights Plan, on the terms described in the Explanatory Statement which forms part of this Notice of Annual Meeting, be approved.”

EXPLANATORY STATEMENT

RESOLUTION 2 – GRANT OF SHARE APPRECIATION RIGHTS TO MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER MR AARON BEGLEY

ASX Listing Rule 10.14 provides that a listed company must not permit a Director to acquire securities under an employee incentive scheme without the approval of shareholders by ordinary resolution.

Resolution 2 seeks the approval of Shareholders to the proposed grant under the Matrix Rights Plan to the Company's Managing Director and Chief Executive Officer Aaron Begley of Share Appreciation Rights (**SARs**), as part of his Senior Executive Plan entitlement to the Rights Plan. If approval is given for the issue of securities under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1 and the Company's issuing capacity will not be used either.

Subject to approval by Shareholders, the Board proposes that in respect of the 2018 Financial Year Mr Begley be issued with 1,845,455 SARs under the Rights Plan. Based on BDO's determination that each SAR has a value of \$0.11 as at 25 September 2018, the value of the proposed grant of SARs to Mr Begley is \$203,000. No amount will be payable in respect of the allocation of SARs, nor in respect of any Shares allocated upon vesting of the SARs.

1.1 Background

To provide a long-term incentive which aligns employees with the Company's strategies the Rights Plan has been established to allow the Board to grant performance-based awards.

The Rights Plan has been designed to provide for the offer of Rights (in the form of Performance Rights or SARs) structured with performance conditions to align with growth in shareholder value.

The Board believes that appropriately designed equity-based plans are an important component of the Company's remuneration structure. Such plans are a key element in attracting and retaining talented employees, including senior executives, and ensure the interests of employees are aligned with those of Shareholders in creating long-term Shareholder value.

In the Board's view, the terms of the SARs and the vesting conditions link the ultimate value of the SARs to the sustained growth of the Company and provide an appropriate incentive for Mr Begley to ensure the Company's continued performance.

1.2 Key Terms of the Matrix Rights Plan

Under the Rights Plan, the Board may determine the key terms and conditions of any Rights granted under the Rights Plan. Rights granted under the Rights Plan may be in the form of the following:

Performance Rights: an entitlement to acquire a Share on a one for one basis, subject to satisfaction of vesting conditions and any other terms and conditions determined by the Board.

Share Appreciation Rights (SARs): an entitlement to acquire Shares equal to the growth in value of the underlying Shares (if any) upon satisfaction of the relevant vesting conditions and any other terms and conditions determined by the Board.

The Rights Plan is administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and formulate special terms and conditions (subject to the Listing Rules) in addition to those set out in the Rights Plan.

Each employee who acquires Rights under the Rights Plan becomes a participant in the Rights Plan.

Under the grants made to Mr Begley, he can allocate Rights between Performance Rights and SARs. Mr Begley has advised he intends to take 100 per cent of his allocation as SARs.

The following terms apply to all SARs granted under the Rights Plan:

- (a) SARs do not carry any dividend or voting rights.
- (b) SARs will be subject to the specific terms and conditions under which they have been issued, until a Share issued under the relevant plan is:
 - registered in the name of the holder;
 - not subject to any vesting conditions; and
 - not subject to a holding lock or any disposal restrictions.
- (c) The Board can determine at its absolute discretion to satisfy any obligation under the Rights Plan by acquiring existing Shares on-market, issuing new Shares, cash settling the value of any obligation or a combination of all three.
- (d) The Company will apply for quotation on the official list of ASX of Shares issued in satisfaction of its obligations under the Rights Plan after vesting. The Company will not seek quotation of any SARs.
- (e) Should the Company undergo a reorganisation or reconstruction of capital the SARs will be adjusted to ensure the value of the SARs is not diminished as a result of that capital reconstruction or reorganisation. In the event of a bonus or rights issue, the Board may exercise its discretion to ensure Mr Begley does not enjoy a windfall gain or suffer a material detriment. Any adjustment will be subject to the Listing Rules.
- (f) Where the Company divests or disposes of a material business or subsidiary, the Board may vary the terms of SARs to take into account that divestment/disposal.
- (g) In the event of a change of control, the Board has discretion to determine the treatment of SARs and the timing of that treatment, which may include that the SARs:
 - vest, whether or not conditions have been met;
 - lapse or are forfeited;
 - remain subject to conditions and/or periods, or subject to varied conditions and/periods; or
 - may only be settled in cash, or securities other than Shares.

In making such a determination, the Board may have regard to any factors that the Board considers relevant, including the performance period elapsed at the

time of the event, the extent to which the vesting conditions have been satisfied at the time of event and the circumstances of the event.

- (h) SARs issued under the Rights Plan are not transferable or assignable without the consent of the Board or upon death to a participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.

Hedging

SARs holders are not permitted to enter into any scheme or arrangement which would hedge the economic benefit that may be earned from the SARs.

Claw-back

The Board retains the power to “claw back” any benefit obtained under the grant of SARs where the vesting of an award is determined to have been based on fraud or dishonesty of the relevant participant.

Vesting Conditions

SARs will be subject to the following vesting conditions:

- Three-year service period from **1 July 2018**; and
- the 28-day VWAP of MCE shares for the period ending 30 June 2021 reaching \$0.60 (**2021 Financial Year VWAP**).

Upon vesting of any SARs, Mr Begley will be allocated the number of Shares (or the cash equivalent equal to the value) derived by multiplying the number of vested SARs by the growth in the Matrix share price during the performance period relative to the hurdle share price of \$0.60.

The number of SARs to be granted to Mr Begley under the Rights Plan, testing date, and vesting date are as follows:

Number of SARs	Testing Date	Vesting Date
1,845,455	30 June 2021	30 June 2021

Assuming vesting conditions are met and an assumed 2021 Financial Year VWAP of \$1.00 and \$2.00, the value attributed to Mr Begley's SARs is as set out below.

Target Future Share Price	\$1.00	\$2.00
Grant Value	\$203,000	\$203,000
SAR value	\$0.11	\$0.11
SARs granted	1,845,455	1,845,455
Hurdle Price	\$0.60	\$0.60
Share Price Uplift	\$0.40	\$1.40
Benefit	\$738,182	\$2,583,637
Matrix share conversion	738,182	1,291,816

Accordingly, unless the vesting conditions of:

- i) the 28-day VWAP of MCE shares for the period ending 30 June 2021 reaching \$0.60; and
- ii) the three-year service condition,

are met, the SARs will not vest, and no benefit will accrue to Mr Begley.

If Mr Begley ceases employment with the Company before the end of the performance period, the treatment will depend on the circumstances of cessation.

All unvested SARs will lapse in the event of resignation or termination for cause. Where Mr Begley ceases employment for any other reason, his unvested SARs will generally continue on-foot and be tested at the end of the original vesting date against the relevant vesting conditions. However, the Board has discretion to apply another treatment that it deems appropriate in the circumstances.

1.3 Additional Information

In accordance with ASX Listing Rule 10.15, the following additional information is provided regarding Resolution 2.

- Aaron Begley is the Chief Executive Officer and Managing Director of the Company.
- Mr Begley will be granted up to 1,845,455 Share Appreciation Rights for nil financial consideration, which subject to the achievement of performance conditions, may convert to ordinary shares in the capital of Matrix. Any Shares allocated to Mr Begley may be acquired on-market or issued by Matrix.

Alternatively, the Board may determine in its absolute discretion that a vested Share Appreciation Right will be satisfied by the Company making a cash payment to Mr Begley in lieu of allocating Shares.

- For the purposes of ASX Listing Rule 10.15.4, the only person listed in ASX Listing Rule 10.14 that has received any securities under the Rights Plan is Mr Begley who was granted 1,486,641 Share Appreciation Rights for nil financial consideration on 8 November 2017 following approval at the Company's 2017 Annual General Meeting.
- The terms and conditions of the Rights Plan provide that only employees of the Company (which includes Executive Directors) are eligible to participate in the Rights Plan. Non-executive directors are not eligible to participate in the Rights Plan. Mr Begley is currently the only Executive Director of the Company.
- There is no loan attaching to the offer of Share Appreciation Rights under the Rights Plan.
- Details of any securities issued under the Rights Plan will be published in the Company's future annual remuneration reports, including that approval for this issue of securities was obtained under Listing Rule 10.14.
- The Company will grant the Share Appreciation Rights as soon as practicable and no later than 12 months after the date of this Meeting.
- A voting exclusion statement is set out under Resolution 2 in the Notice of Annual General Meeting.

1.4 Related Party Benefit

The Board, other than Mr Aaron Begley, has considered the application of Chapter 2E of the Corporations Act to the grant of Share Appreciation Rights to Mr Begley and considers that the financial benefit given by such grant of Share Appreciation Rights constitutes reasonable remuneration to Mr Begley given the circumstances of the Company and Mr Begley's roles and responsibilities with the Company, for the purposes of the exception contained in section 211(1) of the Corporations Act.

Therefore, the Company is not seeking shareholder approval pursuant to section 208 of the Corporations Act in addition to the approvals being sought under Listing Rule 10.14 for the grant of Share Appreciation Rights to Mr Aaron Begley.

The Board (with Mr Aaron Begley abstaining) recommends that Shareholders vote in favour of Resolution 2.

VOTING BY PROXY

Any shareholder who has already submitted a proxy form for Resolution 2 is not required to resubmit a proxy form as a result of the amendments to the Notice of AGM, unless any shareholder wishes to lodge a revised proxy form.

Any shareholder wishing to lodge a revised proxy form may obtain another proxy form by contacting the Company's share registry, Link Market Services Limited +61 1300 554 474 (toll free within Australia) or by visiting www.investorcentre.linkmarketservices.com.au.

All completed proxy forms received to date by the Company will be treated as valid unless a revised proxy form is received by not later than 10.00am (WST) on Tuesday, 6 November 2018.

DATED: 11 OCTOBER 2018

BY ORDER OF THE BOARD

**JULIE JONES
MATRIX COMPOSITES & ENGINEERING LTD
COMPANY SECRETARY**