
MATRIX COMPOSITES & ENGINEERING LTD

ACN 009 435 250

2020 NOTICE OF ANNUAL GENERAL MEETING

TIME: 10.00am (WST)

DATE: Wednesday, 18 November 2020

PLACE: Garden Island Room, AMC Jakovich Centre
4 McGrath Road, Henderson, Western Australia

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9412 1200.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Annual General Meeting relates will be held at 10.00 am (WST) on Wednesday, 18 November 2020 at the Garden Island Room, AMC Jakovich Centre, 4 McGrath Road, Henderson, Western Australia.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

CORPORATE REPRESENTATIVES

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Annual General Meeting. The appointment of the representative must comply with the requirements in section 250D of the Corporations Act. The representative should bring to the Annual General Meeting evidence of his or her appointment as the body corporate's representative, including any authority under which the appointment is signed. Unless the appointment states otherwise, the representative may exercise on the body corporate's behalf all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. Shareholders can download and fill out the 'Appointment of Corporate Representation' form from the website of the share registry of the Company – www.linkmarketservices.com.au (under 'Resources' then 'Forms').

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form and return by:

- (a) post to the Company's share registry, Link Market Services Limited at Locked Bag A14, Sydney South NSW 1235 or deliver to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138; or
- (b) facsimile to the Company's share registry, Link Market Services Limited on facsimile number (+612) 9287 0309; or
- (c) online by visiting www.investorcentre.linkmarketservices.com.au. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website,

so that it is received not later than 10.00am (WST) on Monday, 16 November 2020. **Proxy forms received later than this time will be invalid.**

ANNUAL GENERAL MEETING WEBCAST

Matrix will be providing a webcast of the AGM. Shareholders participating at the AGM via the webcast can view proceedings live and submit questions to the Chair of the Meeting. Voting at the meeting is only in-person at the venue or via proxy as detailed above.

Shareholders can register for the webcast at:

<https://attendee.gotowebinar.com/register/6949952936266133773>

After registering, you will receive a confirmation email containing information about joining the webcast.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2020 Annual General Meeting of Shareholders of Matrix Composites & Engineering Ltd will be held at 10.00 am (WST) on Wednesday, 18 November 2020 at the Garden Island Room, AMC Jakovich Centre, 4 McGrath Road, Henderson, Western Australia.

Matrix will be providing a webcast of the AGM. Shareholders participating at the AGM via the webcast can view proceedings live and submit questions to the Chair of the Meeting. Voting at the meeting is only in-person at the venue or via proxy as detailed above.

The Explanatory Statement to this Notice of Annual General Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Annual General Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 4.00pm (WST) on Monday, 16 November 2020.

Terms and abbreviations used in this Notice of Annual General Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. ORDINARY BUSINESS

2. ANNUAL FINANCIAL REPORT

To receive and consider the Financial Report of the Company for the year ended 30 June 2020, consisting of the Income Statements, Statement of Financial Position, Statements of Changes in Equity, Statements of Cash Flows, together with the Directors' Report, the Directors' Declaration and the Independent Auditor's Report.

3. RESOLUTION 1 – RE-ELECTION OF MR STEVEN COLE AS A DIRECTOR

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

"That, Mr Steven Cole, being a Director of the Company, retiring by rotation in accordance with article 19.3 of the Company's Constitution, and being eligible, is re-elected as a Director of the Company."

4. RESOLUTION 2 – MATRIX EQUITY INCENTIVE PLAN REFRESH

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 7.2 (Exception 13(b)) and for all other purposes, shareholders approve the Matrix Equity Incentive Plan and the grant of Options and/or Performance Rights and the issue of Shares under such Equity Incentive Plan, a summary of which is set out in the Explanatory Statement which forms part of this Notice of Meeting."

Voting exclusion:

The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of any

Director of the Company (except one who is ineligible to participate in the Matrix Equity Incentive Plan) or any of their respective associates.

However, this does not apply to a vote cast in favour of Resolution 2 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairman to vote on the resolution as the Chairman decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with direction given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement:

In addition, in accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 2 if:

- the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

The Chairman will vote any undirected proxies in favour of Resolution 2 in accordance with the Corporations Act and ASX Listing Rules.

5. RESOLUTION 3 – GRANT OF OPTIONS AND PERFORMANCE 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:

“Subject to the passing of Resolution 2, 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 2,514,793 Options and 846,614 Performance Rights under the Matrix Equity Incentive Plan, on the terms described in the Explanatory Statement which forms part of this Notice of Annual Meeting, be approved.”

Voting Exclusion:

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of any Director of the Company (except one who is ineligible to participate in the Matrix Equity Incentive Plan) or any of their respective associates.

However, this does not apply to a vote cast in favour of Resolution 3 by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or

- the Chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairman to vote on the resolution as the Chairman decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with direction given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement:

In addition, in accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 3 if:

- the proxy is either a member of the Key Management Personnel or a Closely Related Party of such a member; and
- the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

The Chairman will vote any undirected proxies in favour of Resolution 3 in accordance with the Corporations Act and ASX Listing Rules.

6. RESOLUTION 4 – THE REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020 IS ADOPTED

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

“That for the purposes of section 250R(2) of the Corporations Act, and for all other purposes, the Remuneration Report, as set out in the Company’s 2020 Annual Report, is adopted.”

The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion:

A vote on Resolution 4 must not be cast (in any capacity) by or on behalf of either:

- a member of the Key Management Personnel whose remuneration is disclosed in the 2020 Remuneration Report; or
- a Closely Related Party of such a member of the KMP.

However, a person described above may cast a vote on Resolution 4 as a proxy if the vote is not on behalf of a person described above and either:

- the proxy appointment is in writing and specifies the way the proxy is to vote (for, against, abstain) on the resolution; or
- the vote is cast by the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution and expressly authorises the Chairman to exercise the proxy even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

The Chairman will vote any undirected proxies in favour of Resolution 4 in accordance with the Corporations Act and ASX Listing Rules.

7. OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Company's Constitution and the Corporations Act.

DATED: 16 OCTOBER 2020 BY ORDER OF THE BOARD

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

ENQUIRIES

Shareholders may contact the Company Secretary on (+61 8) 9412 1200 if they have any queries in respect of the matters set out in these documents.

If you have an issue or question that you would like addressed at the Annual General Meeting or would like to submit a written question to the Chairman or Deloitte (our external auditor) before the Annual General Meeting, please send your query to companysec@matrixengineered.com no later than 4pm on Tuesday, 17 November 2020.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the 2020 Annual General Meeting to be held at 10.00 am (WST) on Wednesday, 18 November 2020 at the Garden Island Room, AMC Jakovich Centre, 4 McGrath Road, Henderson, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be important to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Annual General Meeting.

1. ANNUAL FINANCIAL REPORT

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the Financial Report of the Company for the financial year ended 30 June 2020 together with the Directors' Declaration, the Directors' Report, and the Independent Auditor's Report.

The Financial Report is available on the Company's website at www.matrix-corp.org.

No formal resolution is required regarding the Financial Report, however provision will be made for Shareholders as a whole to ask questions or make comments on the reports or the management of the Company. Shareholders may question the Independent External Auditor regarding the conduct of the audit, the independence of the auditor, preparation and content of the reports and accounting policies adopted by the Company.

2. RESOLUTION 1 – RE-ELECTION OF MR STEVEN COLE

Clause 19.3 of the Constitution provides that at every annual general meeting of the Company, an election of Directors must be held and, if there would otherwise not be a vacancy on the board, and no Director is required to retire, then the Director longest in office since last being elected must retire (excluding the Managing Director).

Listing Rule 14.4 provides that a Director, other than the managing director, of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or three years, whichever is longer. Listing Rule 14.5 provides that an entity which has directors must hold an election of directors every year.

In accordance with clause 19.3 of the Constitution and Listing Rules 14.4 and 14.5, the Company has determined that one Director must retire by rotation. In accordance with clause 19.3 of the Constitution, a Director who retires by rotation under clause 19.3 is eligible for re-election.

For these reasons, Mr Steven Cole, being a Director of the Company, will retire by way of rotation and, being eligible, offers himself for re-election as a non-executive Director of the Company.

Details of Mr Cole are set out below:

Mr Cole has over 40 years legal, business, corporate and directorial experience. Mr. Cole is the Managing Director of Cole Corporate, a boutique corporate and governance consultancy firm. Prior to this role he operated a corporate and financial legal practice as a senior equity partner with Allens Arthur Robinson, a leading national and Asian law firm. His extensive boardroom and board sub-committee experience encompasses ASX listed

companies in the resources, engineering services and industrial sectors, as well as a number of public sector and charitable/not for profit appointments.

Mr Cole is Chairman of Neometals Limited, the Queen Elizabeth II Medical Centre Trust, Perth Markets Group Limited and Non-Executive Director of Bilton Canning Pty Ltd, DGB Investment Funds Pty Ltd and Reed Advanced Materials Pty Ltd. Mr Cole was also previously the WA State President and a national board member of the Australian Institute of Company Directors.

The Board (excluding Mr Cole) recommends the re-election of Mr Cole as a Director.

3. Background to Resolutions 2 and 3

3.1 Background

In order to provide a long-term incentive which aligns employees with the Company's strategies, the Company has undertaken a review of benefits to executive directors, officers and employees under the Matrix Rights Plan which has resulted in the Board adopting the new Equity Incentive Plan to allow the Board to grant performance based awards.

The Equity Incentive Plan has been designed to provide for the offer of "Awards" (in the form of Options and/or Performance Rights) 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. The Board believes that grants made to eligible participants under the Equity Incentive Plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the implementation of the Equity Incentive Plan will:

- (a) enable the Company to recruit, incentivise and retain Key Management Personnel and other eligible persons needed to achieve the Company's business objectives;
- (b) link the reward of key staff with the achievements of strategic goals and the long term performance of the Company;
- (c) align the financial interest of participants of the Equity Incentive Plan with those of Shareholders; and
- (d) provide incentives to participants of the Equity Incentive Plan to focus on superior performance that creates Shareholder value.

3.2 Key Terms of the Matrix Equity Incentive Plan

Under the Equity Incentive Plan, the Board may determine the key terms and conditions of any Awards granted under the Equity Incentive Plan. Awards granted under the original Matrix Rights Plan was 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 testing conditions and any other terms and conditions determined by the Board.

Upon review, Matrix has revised the original Rights Plan to now grant Awards under the Matrix Equity Incentive Plan in the following form:

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

Options: an option granted to subscribe for, acquire and/or be allocated a Share on a one for one basis, subject to satisfaction of any vesting conditions and any other terms and conditions determined by the Board.

The Equity Incentive 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 Equity Incentive Plan.

Each employee who acquires Awards under the Equity Incentive Plan becomes a participant in the Equity Incentive Plan.

A summary of the material terms of the Equity Incentive Plan is set out in Annexure A.

4. RESOLUTION 2 – MATRIX RIGHTS PLAN REFRESH

Matrix established a rights plan, the terms of which were approved at the Company's General Meeting of Shareholders held on 25 June 2015 and further approved at the Company's General Meeting of Shareholders on 8 November 2017. Matrix has since reviewed the Rights Plan and has created the Matrix Equity Incentive Plan, a copy of which can be obtained on request from the Company by contacting the Company Secretary.

4.1 Listing Rule 7.2 (Exception 13(b))

ASX Listing Rule 7.1 requires a listed company to obtain shareholder approval prior to the issue of shares, or securities convertible into shares, representing more than 15% of the issued capital of that company in any rolling 12 month period.

An exception to ASX Listing Rule 7.1 is set out in ASX Listing Rule 7.2 (Exception 13(b)) which provides that issues under an employee incentive plan are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under that plan as an exception to ASX Listing Rule 7.1, unless there is a material change to the terms of the employee incentive plan previously approved by shareholders during that three year period.

Approval under ASX Listing Rule 7.2 (Exception 13(b)) is due to expire on 8 November 2020 and therefore the Company seeks Shareholder approval to refresh the Rights Plan, by replacing it with the Equity Incentive Plan. In addition, in December 2019, amendments to the Listing Rules took effect. Under the amended Listing Rules, when seeking shareholder approval in relation to an employee incentive scheme (such as the Equity Incentive Plan),

an entity must, among other things, now disclose in the relevant notice of meeting the maximum number of securities proposed to be issued under the scheme following the approval. Therefore, in accordance with the requirements of ASX Listing Rule 7.2 (Exception 13(b)), the following information is provided:

- (a) A summary of the material terms of the Equity Incentive Plan is set out in Annexure A. No securities have been issued under this Equity Incentive Plan to date.
- (b) Since the date of the last approval of the Rights Plan, the Company has issued 17,521,880 Rights under the Rights Plan, comprising:

Rights	Number	Recipient	Year
SARs	4,632,153	Aaron Begley	2019
SARs	4,305,177	Participants	2019
PRs	1,860,502	Participants	2019
SARs	1,845,455	Aaron Begley	2018
SARs	1,350,573	Participants	2018
PRs	721,999	Participants	2018
SARs	1,486,641	Aaron Begley	2017
SARs	1,045,481	Participants	2017
PRs	273,899	Participants	2017

- (c) The maximum number of Awards proposed to be issued under the Equity Incentive Plan within the three-year period from the date of the passing of Resolution 2 is 17,000,000. This maximum number is not intended to be a prediction of the actual number of Awards to be issued under the Rights Plan but is specified for the purposes of setting a ceiling on the number of Rights approved to be issued under and for the purposes of Listing Rule 7.2 (Exception 13(b)).

If Shareholders do not approve Resolution 2, the Company may:

- (a) have less flexibility and options for remuneration of staff and key management personnel;
- (b) use its placement capacity under Listing Rule 7.1 to issue securities as remuneration or incentives for employees; and
- (c) seek Shareholder approval for issues of securities as remuneration or incentives to eligible participants.

By this approval, the Company is seeking flexibility in being able to satisfy the exercise of Awards by either, or a mixture of, the issue of new shares or the acquisition on market of new shares, depending on what may be in the best interests of the Company at the relevant time.

Whether or not the resolution is passed, the Company may purchase, or arrange the purchase, on market of shares to satisfy Awards under the Equity Incentive Plan without Shareholder approval.

In the opinion of the Board, the resolution will assist the Company to manage its capital requirements efficiently by ensuring that the 15% limit is not diminished by issues of Awards under the Equity Incentive Plan and capacity is available for capital management and acquisitions, if necessary.

A voting exclusion statement has been included in the Notice of Meeting for the purposes

of this Resolution 2.

The Board (excluding those Directors entitled to participate in the Equity Incentive Plan, who declined to make a recommendation based on their interest in the outcome of Resolution 2) recommends that Shareholders vote in favour of this Resolution 2.

5. RESOLUTION 3 – GRANT OF OPTIONS 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 3 seeks the approval of Shareholders to the proposed grant under the Matrix Equity Incentive Plan to the Company's Managing Director and Chief Executive Officer Aaron Begley of Options and Performance Rights, as part of his Senior Executive Plan entitlement to the Equity Incentive 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 2020 Financial Year Mr Begley be issued with 2,514,793 Options and 846,614 Performance Rights under the Equity Incentive Plan.

The Options will be granted for nil consideration with an exercise price of \$0.32, being the 20-day VWAP of ordinary shares traded in the Company commencing on the business day after the release of the Company's FY2023 statutory accounts, payable on exercise of the Options. The Performance Rights are granted for nil consideration with a nil exercise price however they have a hurdle of \$0.32, being the 20-day VWAP of ordinary shares traded in the Company commencing on the business day after the release of the Company's FY2023 statutory accounts.

5.1 Terms and Conditions

As set out above, the Equity Incentive 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 Equity Incentive Plan.

In the Board's view, the terms of the Options and the Performance Rights to be issued to Mr Begley and the vesting conditions link the ultimate value of the Options and the Performance Rights to the sustained growth of the Company and provide an appropriate incentive for Mr Begley to ensure the Company's continued performance. Details of these terms are set out below.

The combined value of the proposed grant of Options and Performance Rights to Mr Begley is approximately \$170K.

Based on the Monte Carlo valuation method performed by Stanton's International and approved by the Board, the value of an Option is \$0.0338 and the value of a Performance Right is \$0.1004

The number of Award to be granted is calculated as:

Total Value of Offer	\$170,000
Option Value	\$0.0338
Number of Options	\$85,000 of \$0.0338 Options = 2,514,793 Options
Number of Performance Rights	\$85,000 of \$0.1004 Performance Rights = 846,614 Performance Rights

The following terms apply to all Awards granted under the Equity Incentive Plan:

- (a) The Awards do not carry any dividend or voting rights.
- (b) Awards will be subject to 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; and
 - not subject to any vesting conditions.
- (c) The Board can determine at its absolute discretion to satisfy any obligation under the Equity Incentive 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 Equity Incentive Plan subsequent to vesting of an Award under the Equity Incentive Plan, as soon as practicable after the issue of those Shares to a participant. The Company will not seek quotation of any Awards.
- (e) Should the Company undergo a reorganisation or reconstruction of capital the Awards will be adjusted to ensure the value of the Award is not diminished as a result of that capital reconstruction or reorganisation. If a bonus or rights issue, the Board may exercise its discretion to ensure an Award holder 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 the Awards to take into account that divestment/disposal.
- (g) If a change of control, the Board has discretion to determine the treatment of Awards and the timing of that treatment, which may include that the Awards:
 - 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/or periods; or
 - may only be settled in cash, or securities other than Matrix shares.
- (h) 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 the event and the circumstances of the event.
- (i) Awards granted under the Equity Incentive 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

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

Forfeiture

The Board retains the power to forfeit all unvested and vested Options and/or Performance Rights where a participant acts fraudulently or dishonestly or wilfully breaches his or her duties to the Company and its related bodies corporate.

Vesting Conditions

The Awards to be issued to Mr Begley under Resolution 3 will both be subject to the vesting condition of a three-year service period from **1 July 2020**. In addition, the Performance Rights will be subject to the vesting condition that the 20-day VWAP of ordinary shares traded in the Company commencing on the business day after the release of the Company's FY2023 accounts reaches the hurdle price of \$0.32.

The number of Awards to be granted to Mr Begley under the Equity Incentive Plan along with the relevant testing date, hurdle, vesting and exercise date are as follows:

Number of Awards	Testing Period	Hurdle	Vesting Date	Exercise Date
2,514,793 Options	The 20 day VWAP commencing on the business day after the release of of FY 2023 statutory accounts	N/A	14 days after the end of the testing period	14 days after the vesting date
846,614 Performance Rights	The 20 day VWAP commencing on the business day after the release of of FY 2023 statutory accounts	\$0.32	14 days after the end of the testing period	14 days after the vesting date

Assuming vesting conditions are met and an assumed 2023 Financial Year VWAP of \$0.32, \$0.50 and \$1.00, the value attributed to Mr Begley's Awards are as set out below.

Target Future Share Price	\$0.32		\$0.50		\$1.00	
Total Grant Value	\$170,000					
	Options	PRs	Options	PRs	Options	PRs
Valuation	\$0.0338	\$0.1004	\$0.0338	\$0.1004	\$0.0338	\$0.1004
Award	2,514,793	846,614	2,514,793	846,614	2,514,793	846,614
Exercise Price (Options) /Hurdle (PRs)	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32	\$0.32
Share Price/%uplift from 23 September 2020 base date (0.15c)	\$0.17 – 213%		\$0.35 – 333%		\$0.85 – 666%	
Benefit	\$0.00	\$270,916	\$452,681	\$423,307	\$1,710,059	\$846,614
Matrix Share Conversion	N/A	846,614	2,514,793	846,614	2,514,793	846,614

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 Awards will automatically lapse in the event of resignation or termination for cause. Where Mr Begley ceases employment for any other reason, his unvested Awards 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.

5.2 Additional Information

In accordance with ASX Listing Rule 10.15, the following additional information is provided regarding Resolution 3.

- (a) Aaron Begley is the Chief Executive Officer and Managing Director of the Company, and as a Director is captured by Listing Rule 10.14.1 for the purposes of Resolution 3.
- (b) Mr Begley will be granted up to 2,514,793 Options and 846,614 Performance Rights for nil financial consideration, which subject to the achievement of performance conditions and, in the case of Options, the payment of the exercise price or use of the cashless facility, 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.
- (c) Mr Begley's current total remuneration package is \$745,923
- (a) For the purposes of ASX Listing Rule 10.15.5, , Mr Begley has not previously been granted any securities under the Equity Incentive Plan.
- (b) A summary of the material terms and conditions of the Equity Incentive Plan is provided in Annexure A. Mr Begley is eligible to participate in the Equity Incentive Plan. The Equity Incentive Plan provides for the allocation of Awards in accordance with its terms. The Company considers that the Awards to be issued to Mr Begley under Resolution 3 have an approximate value of \$170,000.
- (c) The Awards to be issued to Mr Begley under Resolution 3 will be issued as soon as practicable and, in any event, no later than 3 years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules).
- (d) The Awards to be issued to Mr Begley under Resolution 3 are issued for nil consideration, and are subject to the vesting conditions set out in section 5.1 above.
- (e) There is no loan attaching to the issue of Awards to Mr Begley under Resolution 3.
- (f) Details of any securities issued under the Equity Incentive Plan will be published in the Company's future Annual Reports relating to the period in which they were issued, including that approval for the issue of securities was obtained under Listing Rule 10.14. Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of securities under the Equity Incentive Plan after the resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.

A voting exclusion statement is set out under Resolution 3 in the Notice of Annual General Meeting.

5.3 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 Options and Performance Rights to Mr Begley and considers that the financial benefit given by such grant of Options and Performance 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 Options and Performance Rights to Mr Aaron Begley.

If Shareholders do not approve any of the issues of Options or Performance Rights under this Resolution 3, the Company may need to consider other alternatives for remuneration of Mr Aaron Begley.

The Board (with Mr Aaron Begley abstaining) recommends that Shareholders vote in favour of Resolution 3.

6. RESOLUTION 4 – REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution for adoption of the remuneration report is required to be considered and voted on by shareholders. The Remuneration Report details the Company's policy on the remuneration of non-executive Directors, the Chief Executive Officer and senior executives and is set out in the 2020 Annual Report which is available on the Company's website at www.matrix-corp.org.

Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

The vote on the adoption of the remuneration report is advisory only and does not bind the Directors or the Company. However, if a company's remuneration report receives a 'no' vote of 25 per cent or more at two consecutive annual general meetings, a resolution must then be put to shareholders at the second annual general meeting as to whether another meeting should be held (within 90 days) at which all directors (other than the managing director) who were in office at the date of approval of the applicable directors' report must stand for re-election (**Spill Resolution**). In summary, Shareholders will be entitled to vote in favour of holding a general meeting to re-elect the Board if the remuneration report receives 'two strikes' from Shareholders in consecutive years.

The Company did not receive a 'no' vote of 25 per cent or more in regard to the Remuneration Report at the 2019 AGM and as such the 2020 Notice of Annual General Meeting does not contain a Spill Resolution.

A voting exclusion statement applicable to this resolution is set out under Resolution 4 in the Notice of Annual General Meeting.

In the interests of corporate governance, the Board abstains from making a recommendation in relation to this resolution.

Annual General Meeting means the meeting convened by the Notice of Annual General Meeting.

ASX means ASX Limited (ACN 008 624 691).

Awards means Options or Performance Rights under the Equity Incentive Plan.

Board means the current Board of Directors.

Chairman means the chair of the Annual General Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or of the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or
- (e) a company that the member controls; or
- (f) a person prescribed by the relevant regulations applicable for the purposes of this definition under the Corporations Act.

Company or **Matrix** means Matrix Composites & Engineering Ltd (ACN 009 435 250).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Equity Incentive Plan or **Matrix Equity Incentive Plan** means the Matrix Composites & Engineering Limited Employee Long Term Incentive Plan Rules.

Explanatory Statement means the Explanatory Statement accompanying this Notice of Annual General Meeting.

Financial Report means the financial report of the Company for the year ended 30 June 2020.

Independent External Auditor means Deloitte Touche Tohmatsu (ABN 74 490 121 060).

Key Management Personnel or KMP has the same meaning as in the Accounting Standards. The term broadly includes those persons with the authority and responsibility for planning, directing and controlling the activities of the Company (whether directly or indirectly), and includes any Director.

Listing Rules means the listing rules of the ASX.

Notice of Annual General Meeting means this notice of annual general meeting including the Explanatory Statement.

Options or **OPs** has the meaning given to that term in Annexure A.

Performance Rights or **PRs** has the meaning given to that term in Annexure A.

Rights Plan or Matrix Rights Plan means the original Matrix Composites & Engineering Rights Plan.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

Annexure A: Key Terms of the Matrix Equity Incentive Plan

Under the Equity Incentive Plan, the board has the power to determine the key terms and conditions of any Awards granted under the Equity Incentive Plan. The Equity Incentive Plan is open to directors, senior management, employees of the Company, eligible contractors and other persons in the discretion of the Board.

Awards granted under the Equity Incentive Plan may be in the form of Performance Rights or Options.

Performance Rights are entitlements to subscribe for, acquire and/or be allocated a Share on the basis of one Share for each Performance Right that vests upon satisfaction of the relevant vesting conditions and other terms and conditions determined by the Board under the Equity Incentive Plan.

Options are options granted to subscribe for, acquire and/or be allocated a number of Shares upon satisfaction of the relevant vesting conditions and other terms and conditions determined by the Board under the Equity Incentive Plan and the payment of the exercise price by the participant.

The Equity Incentive Plan will be administered by the Board which has 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 Equity Incentive Plan.

Each participant who is granted Awards under the Equity Incentive Plan becomes a Participant in the Equity Incentive Plan.

Any offer by the Board of an Awards grant will contain minimum information including the following:

- the type of Award(s);
- the number of Awards;
- the Grant Date;
- in the case of an Option or a Performance Right, the Fee (if any);
- the Performance Hurdles (if any);
- the Vesting Conditions (if any);
- in the case of an Option, the Exercise Price (if any);
- in the case of an Option, the Exercise Period;
- the Expiry Date and Term;
- the Forfeiture Conditions (if any);
- any rights attaching to the Awards and/or the Plan Shares in respect of which the Options and/or Performance Rights are exercisable; and
- any disposal restrictions attaching to the Awards and/or Plan Shares; and
- set out in an Invitation Letter delivered to the Eligible Participant.

The following terms apply to all Awards granted under the Equity Incentive Plan:

- (a) The Awards do not carry any dividend or voting rights.
- (b) Awards will be subject to 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; and
 - not subject to any vesting conditions.
- (c) The Board can determine at its absolute discretion to satisfy any obligation under the Equity Incentive 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 Equity Incentive Plan subsequent to vesting of an Awards under the Equity Incentive Plan, as soon as practicable after the issue of those Shares to a participant. The Company will not seek quotation of any Awards.
- (e) Should the Company undergo a reorganisation or reconstruction of capital the Awards will be adjusted to ensure the value of the Award 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 an Awards holder does not enjoy a windfall gain or suffer a material detriment. Any adjustment will be subject to the Listing Rules.
- (f) In the event of a change of control, the Board has discretion to determine the treatment of Rights and the timing of that treatment, which may include that the Awards:
 - 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/or periods; or
 - may only be settled in cash, or securities other than Matrix 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 the event and the circumstances of the event.

- (g) Awards granted under the Equity Incentive 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

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

Termination

Where a participant ceases employment with the Company prior to vesting, the treatment will depend on the circumstances of cessation.

Where the participant ceases employment due to resignation or termination for cause, all unvested Performance Rights and Options will lapse at cessation.

Where a participant ceases employment for any other reason prior to the Awards vesting, the unvested Awards 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 (including that another number of Performance Rights or Options may vest either at cessation or at the end of the original vesting date, or that some or all of the Performance Rights or Options lapse).

Forfeiture

The Board retains the power to forfeit all unvested and vested Options and/or Performance Rights where a participant acts fraudulently or dishonestly or wilfully breaches his or her duties to the Company and its related bodies corporate.