

Appendix 4D

Half year report

Period ending on 31 December 2021

Name of entity

Matrix Composites & Engineering Ltd

ABN or equivalent company
reference

54 009 235 450

The information contained in this report relates to the following years:

Current half-year ended	31 December 2021
Previous half-year ended	31 December 2020

Results for announcement to the market

					\$000s
Revenue	Increased	70.0%	To		13,692
Losses after tax attributable to members	Decreased	44.3%	To		(3,889)
Losses after tax attributable to owners of the parent	Decreased	44.3%	To		(3,889)

Dividend payments	Amount per security	Franked amount per security
<u>Year ended 30 June 2021</u> Final dividend (cents per share)	-	-
<u>Half year ended 31 December 2021</u> Interim dividend (cents per share)	-	-
Record date for determining entitlement to dividend	n/a	
Date the interim 2022 dividend is payable	n/a	

Net tangible assets	Current half year \$	Previous half year \$
Net tangible assets per ordinary security (include right-of-use assets and lease liabilities)	(\$0.04)	\$0.22

Total interim dividend to be paid on all securities	Current half year \$	Previous half year \$
Ordinary securities	nil	nil

The above information should be read in conjunction with the attached Half Year Report for the period ending 31 December 2021.

This report is based on accounts that have been reviewed.



BRENDAN COCKS
CHIEF FINANCIAL OFFICER

Date: 24 February 2022

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Interim Consolidated Financial Report

For the Half Year Ended 31 December 2021

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

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Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Directors' Report

The directors of Matrix Composites & Engineering Ltd ("Matrix" or "the Company") submit herewith the financial report of the Company and its subsidiaries ("Group" or "Consolidated Entity") for the half-year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names and particulars of the directors of the Company during or since the end of the half-year are:

Peter J Hood AO	(Independent Non-Executive Chairman)
Aaron P Begley	(Managing Director & Chief Executive Officer)
Steven Cole	(Independent Non-Executive Director)
Craig Duncan	(Independent Non-Executive Director)
Chris Sutherland	(Independent Non-Executive Director)

The above named directors held office since the start of the half-year to the date of this report.

Review of operations

Overview

The Consolidated Entity's principal activities during the course of the period were the supply of manufactured goods and provision of engineering services. The goods manufactured and services provided by Matrix can be summarised as follows:

- Manufacture and supply of capital drilling equipment (primarily comprised of syntactic foam buoyancy) and provision of inspection, maintenance and repair services to the oil and gas sector;
- Manufacture and supply of subsea umbilical risers and flowline (SURF) ancillary equipment and associated services;
- Manufacture and supply of VIV suppression equipment for rigid pipelines;
- Manufacture and supply of well construction products, including centralisers and conductors;
- Distribution of epoxy based coating system and related equipment hire and technical support; and
- Consultancy for, and manufacture of, advanced composite materials and products for the defence, energy, resource and transport sectors.

Financial Performance

The Group recorded a net loss after tax of \$3.9m (Dec 2020: net loss \$7.0m) for the six month period ended 31 December 2021.

The Group reported an EBITDA loss of \$1.0m on revenue of \$13.7m which was significantly up on the comparative 6 month period revenue of \$8.1m ended December 2020, and a 43% increase on the revenue for the 6 months to June 2021, where revenues totalled \$9.6m. During the period the Company experienced increasing quotation activity in the oil and gas sector as it recovers from the shock to the oil price during the early stages of the Covid pandemic. The Company continues to grow its corrosion technology business with revenue for the period of \$4.1m (31 December 2020: \$1.5m). Growth was driven from sales to existing customers and increasing customer engagement across new prospective companies within Western Australia.

The period included contribution from the sale of its traditional offshore buoyancy products and well construction products, and also included growing revenue from our corrosion technology business which includes sales of epoxy paint and hire of associated equipment and technical staff.

Directors' Report

Review of operations (continued)

Financial Performance (continued)

The Company continued to focus on keeping fixed overheads as low as possible as our market recovers. The Company recorded an operating cash outflow of \$0.8m, a further cash outflow of \$0.6m for investing activities and this was offset by a cash inflow of \$2.0m in financing activities primarily from the settlement of tranche 1 of a capital raising in December 2021.

Net cash at the end of the period was \$7.7m with no trade or term debt facility liabilities.

Impact of Covid 19 during the period

In the early stages of the Covid 19 pandemic, during the second half of June 2020 year end, the oil price took a steep fall, causing a shock to the industry and materially subduing activity in the oil and gas sector.

The impact to Matrix was that near term opportunities either disappeared or were suspended, and a number of large projects failed to reach their FID (Final Investment Decision) due to uncertainty and deferred decisions. This in turn made it difficult to build a significant order bank of work and the Company's revenue and profitability were materially impacted.

In response the Company has focused on reducing costs to navigate through the difficult period, and diversify our client base so we are not solely exposed to the oil and gas industry. Furthermore we have focused product lines on recurring revenue streams outside of our traditional products, which has meant a focus on developing advanced composite solutions for large local customers and providing anti corrosion products and services into the maintenance cycle of local customers.

During the period, the Company experienced an improving Oil & Gas market, as evidenced by increasing orders and higher levels of enquiries for our buoyancy products. Furthermore, we continued to gain traction in the anti corrosion and advanced composite fields. Progress in these areas has been evidenced by 3 financial halves of double digit growth in our revenue line, and improving financial performance.

Strategy and outlook

Matrix continues its strategy to grow its position with its core products in the global oil and gas industry, while diversifying its products and services and leveraging manufacturing capabilities and customer relationships. Key to the financial success of the Company is the ability to secure sufficient work to efficiently load its manufacturing capacity.

The Company continues to service quotations and complete work in the offshore oil and gas activity, however has dedicated significant effort to market its capability to the Resources, Civil & Infrastructure and Defence sectors under its diversification strategy.

The Company is observing an improved subsea buoyancy market which appears to be in recovery. Progress is encouraging with growing sales of our anti-corrosion products and equipment whilst the Company is pleased to land a number of product development opportunities which could lead to new material revenue streams in future periods.

Dividend

The directors have determined that no interim dividend will be paid for the period ended 31 December 2021 (31 December 2020: nil).

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Directors' Report

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year report.

This Directors' report is signed in accordance with a resolution of directors made pursuant to s306(3) of the *Corporations Act 2001*.

ASIC corporations instrument 2016/191 rounding of amounts

The Company is of an entity to which Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191, dated 24 March 2016 applies. Amounts in the Directors' Report and the Financial Statements have been rounded to the nearest thousand dollars in accordance with ASIC Instrument 2016/191, unless otherwise indicated.

This report is signed in accordance with a resolution of the Board of Directors.



.....
Aaron P Begley

Managing Director & Chief Executive Officer

Dated

24 February 2022



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Matrix Composites & Engineering Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Matrix Composites & Engineering Ltd for the half-year ended 31 December 2021 there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'GL + 177'.

Graham Hogg
Partner
Perth
24 February 2022

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2021

		31 December 2021	31 December 2020*
	Notes	\$000's	\$000's
Revenue	3	13,693	8,056
Cost of sales		(13,172)	(9,426)
Gross profit/(loss)		521	(1,370)
Other income	4	255	83
Other losses	4	-	(1,463)
Administration expenses		(1,755)	(1,844)
Finance costs	4	(1,053)	(1,094)
Marketing expenses		(1,133)	(879)
Research expenses		(170)	(80)
Engineering expenses		(554)	(332)
Loss before tax		(3,889)	(6,979)
Income tax expense	5	-	-
Loss for the period		(3,889)	(6,979)
Other comprehensive (loss)/income for the period, net of tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net foreign currency translation differences		(243)	733
Other comprehensive (loss)/income for the period, net of tax		(243)	733
Total comprehensive loss for the period		(4,132)	(6,246)
Loss attributable to:			
Owners of the Company		(3,889)	(6,979)
Total comprehensive loss attributable to:			
Owners of the parent entity		(4,132)	(6,246)
Loss per share			
Basic loss per share (cents)		(3.72)	(6.82)
Diluted loss per share (cents)		(3.72)	(6.82)

*Comparative information has been represented due to a change in classification. See Note 13.

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Interim Consolidated Statement of Financial Position As at 31 December 2021

		31 December 2021	30 June 2021
	Notes	\$000's	\$000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		7,747	7,164
Trade and other receivables	6	6,876	5,309
Inventories		5,998	6,563
Prepayments		1,047	327
TOTAL CURRENT ASSETS		21,668	19,363
NON-CURRENT ASSETS			
Property, plant and equipment	7	7,816	8,902
Right-of-use assets	8	8,008	8,232
Intangible assets		95	-
TOTAL NON-CURRENT ASSETS		15,919	17,134
TOTAL ASSETS		37,587	36,497
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	4,864	3,046
Progress claims and deposits		3,308	2,304
Employee benefits		1,383	1,192
Lease liabilities	8	600	551
TOTAL CURRENT LIABILITIES		10,155	7,093
NON-CURRENT LIABILITIES			
Provisions		4,859	4,859
Employee benefits		227	242
Lease liabilities	8	26,862	27,165
TOTAL NON-CURRENT LIABILITIES		31,948	32,266
TOTAL LIABILITIES		42,103	39,359
NET LIABILITIES		(4,516)	(2,862)
EQUITY			
Issued capital	10	116,463	114,170
Reserves		907	965
Accumulated losses		(121,886)	(117,997)
TOTAL DEFICIT		(4,516)	(2,862)

The accompanying notes form part of these financial statements.

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Interim Consolidated Statement of Changes in Equity For the Half Year Ended 31 December 2021

	Issued capital \$000's	Accumulated losses \$000's	Foreign currency translation reserve 000's \$	Share based payment reserve \$000's	Total \$000's
Balance at 1 July 2021	114,170	(117,997)	(465)	1,430	(2,862)
Loss for the period	-	(3,889)	-	-	(3,889)
Other comprehensive loss for the period, net of income tax	-	-	(243)	-	(243)
Total comprehensive loss for the period	-	(3,889)	(243)	-	(4,132)
Share-based payments	-	-	-	185	185
Issue of shares, net of costs*	2,293	-	-	-	2,293
Balance at 31 December 2021	116,463	(121,886)	(708)	1,615	(4,516)
Balance at 1 July 2020	114,170	(85,271)	(1,039)	1,028	28,888
Loss for the period	-	(6,979)	-	-	(6,979)
Other comprehensive income for the period, net of income tax	-	-	733	-	733
Total comprehensive income/(loss) for the period	-	(6,979)	733	-	(6,246)
Share-based payments	-	-	-	231	231
Balance at 31 December 2020	114,170	(92,250)	(306)	1,259	22,873

*During the period the Company issued a further 15,348,214 shares as the first tranche of a 2 tranche capital raising (See Note 14 for details of the second tranche). The first tranche was completed on the 6th December 2021 and raised net funds after costs of \$2.293m.

The accompanying notes form part of these financial statements.

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Interim Consolidated Statement of Cash Flows For the Half Year Ended 31 December 2021

	31 December 2021 \$000's	31 December 2020 \$000's
OPERATING ACTIVITIES:		
Receipts from customers	14,499	9,540
Payments to suppliers and employees	(14,324)	(9,180)
Interest received	2	19
Finance costs paid	(13)	(36)
Interest expense on lease liabilities	(1,040)	(1,058)
Net cash flows used in operating activities	(876)	(715)
INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	-	1
Purchase of property, plant and equipment	(485)	(1,786)
Payments for research and development costs	(95)	(35)
Net cash flows used in investing activities	(580)	(1,820)
FINANCING ACTIVITIES:		
Proceeds from issue of shares, net of costs	2,293	-
Repayment of lease liabilities (principal portion)	(254)	(233)
Net cash flows provided by/(used in) financing activities	2,039	(233)
Net increase/(decrease) in cash and cash equivalents held	583	(2,768)
Cash and cash equivalents at 1 July	7,164	14,681
Effects of exchange rate changes on the balance of cash held in foreign currencies	-	(377)
Cash and cash equivalents at 31 December	7,747	11,536

The accompanying notes form part of these financial statements.

Notes to the Interim Consolidated Financial Statements For the Half Year Ended 31 December 2021

1 Statement of significant accounting policies

(a) General information

Matrix Composites & Engineering Ltd ("the Company") is a limited liability company incorporated in Australia.

(b) Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The half-year financial report comprises the consolidated half-year financial reports of the Group. For the purpose of preparing the consolidated financial report, the Company is a for profit entity.

The half-year financial report was authorised for issue by the directors on 24 February 2022.

(c) Basis of preparation

The consolidated half-year report has been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2021 annual financial report for the financial year ended 30 June 2021. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards

(d) Application of new and revised accounting standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and are mandatorily effective for the current reporting period.

Standards and Interpretations in issue not yet adopted

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

1 Statement of significant accounting policies (continued)

(e) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(f) Going concern

The financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

For the period ended 31 December 2021, the Group recognised a net loss of \$4.132m and operating cash outflows of \$0.876m. The Group's net current assets as at 31 December 2021 amounted to \$11.513m.

Management forecasts include execution and delivery of current contracted work, expected work to convert from the outstanding and upcoming quotations with established customers, and recurring sales of established products. The going concern assessment is based on the achievement of these forecasts.

The Directors have reviewed the Company's overall financial position and believe the use of the going concern basis of accounting is appropriate as they believe the Company has sufficient funds available for at least the next 12 months.

2 Operating segments

In conjunction with AASB 8 *Operating Segments*, the Group has identified its operating segment based on internal reports that are reviewed and used by the Chief Operating Decision Maker (CODM) in assessing performance and in determining the allocation of resources.

Performance monitoring and evaluation

The CODM is identified as the Chief Executive Officer (CEO) who monitors the operating results of the consolidated group and organises its business activities and product lines to serve the global oil and gas industry. The performance of the consolidated group is evaluated based on Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") and Earnings before Interest, Taxes, Depreciation, Amortisation, and Foreign Exchange ("EBITDAF") which are measured in accordance with the Group's accounting policies.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

2 Operating segments (continued)

	MCE Group* 31 December 2021	MCE Group* 31 December 2020
	000's	000's
	\$	\$
Revenue	13,693	8,056
EBITDAF*	(1,295)	(2,199)
Foreign exchange gain/(loss)	252	(1,460)
EBITDA	(1,043)	(3,659)
Depreciation and amortisation	(1,795)	(2,244)
EBIT	(2,838)	(5,903)
Net finance costs	(1,051)	(1,076)
Loss before tax (continuing operations)	(3,889)	(6,979)

*EBITDAF is reconciled to loss as above.

	MCE Group* 31 December 2021	MCE Group* 30 June 2021
	000's	000's
	\$	\$
Total consolidated assets	37,587	36,497
Total consolidated liabilities	42,103	39,359
Geographical Assets		
Australia	37,001	35,947
Others	586	550
	37,587	36,497
Geographical Liabilities		
Australia	42,082	39,353
Others	21	6
	42,103	39,359

Major customers

Matrix supplies goods and services to a broad range of customers in the global oil & gas industry. During the reporting period, five major customers accounted for 67% of total group revenue (31 December 2020: 67%).

*MCE Group consists of Matrix Composites & Engineering Ltd, Matrix Henderson Property Pty Ltd, Specialist Engineering Services (Aust) Pty Ltd and Matrix Composites & Engineering (US) Inc.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

3 Revenue

	31 December 2021 000's \$	31 December 2020 000's \$
Revenue from contracts with customers	13,693	8,056

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Major product lines

Design, manufacture, and supply of engineered composite products	8,568	6,411
Coatings products, equipment and service	4,113	1,551
Others	1,012	94
	13,693	8,056

Geographical regions

Australia	6,411	2,753
Others	7,282	5,303
	13,693	8,056

Timing of revenue recognition

Goods and services transferred at a point in time	5,868	2,486
Goods and services transferred over time	7,825	5,570
	13,693	8,056

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31 December 2021 000's \$	30 June 2021 000's \$
Trade receivables	4,442	4,746
Progress claims and deposits - contract liabilities	(3,308)	(2,304)
Other receivables - Trade	2,277	485
	3,411	2,927

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

3 Revenue (continued)

The contract assets comprise trade receivables and other receivables which primarily relate to the Group's rights to consideration for work completed but not yet billed at reporting date on construction contracts. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relates to advance consideration received from contracts with customers.

4 Other income/(losses)/finance costs

	31 December 2021 000's \$	31 December 2020 000's \$
Other income		
Interest received	2	18
Profit on sale of scrap	-	15
Sundry income	1	50
Net foreign exchange gain	252	-
	255	83
Other losses		
Loss on sale of fixed asset	-	(3)
Net foreign exchange loss	-	(1,460)
	-	(1,463)
Finance costs		
Finance costs	(13)	(36)
Lease interest	(1,040)	(1,058)
	(1,053)	(1,094)

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

5 Income tax expense

The income tax expense for the year can be reconciled to the accounting loss as follows:

	31 December 2021 000's \$	31 December 2020 000's \$
Loss before tax from continuing operations	(3,889)	(6,979)
Income tax benefit calculated at 25% (2020: 26%)	(972)	(1,815)
Effect of (benefit)/expenses that are not deductible in determining tax payable profit	93	67
Effect of change in income tax rates from 26% to 25%	1,344	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(465)	1,748
Total income tax expenses recognised in the current year relating to continuing operations	-	-

The tax rate used for December 2020 was 26% and December 2021 reconciliation was a reduced tax rate of 25% payable by Australian corporate entities on taxable profits under Australian tax law.

The Directors have made a decision not to recognise deferred tax assets in the financial statements for this reporting period given the uncertainty of recovery. However, this decision has no effect on the amount accumulated tax losses that can be carried forward by the Company.

6 Trade and other receivables

	31 December 2021 000's \$	30 June 2021 000's \$
CURRENT		
Trade receivables (i)	4,442	4,746
Other receivables - Trade (ii)	2,277	485
GST refundable	157	78
	6,876	5,309

(i) The Group's standard terms and conditions require customers to pay trade receivables within 30 days from invoice date. The average collectability timeframe is ordinarily between 30 to 60 days. These amounts are generally non-interest bearing, although, there are customers who will be subjected to interest charges at management's discretion. The Group has assessed the recoverability of all amounts including evaluating the economic impacts of Covid-19 and current oil price volatility, and no allowance is required for the trade receivables.

(ii) Other receivables – Trade, relates primarily to completed products which have been recognised as revenue but are yet to be invoiced, pending collection by customers.

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

7 Property, plant and equipment

	Building/ leasehold improvement 000's \$	Plant and equipment 000's \$	Motor vehicles 000's \$	Office equipment 000's \$	Computer equipment 000's \$	Assets under construction 000's \$	Total 000's \$
Opening carrying amount at 1 July 2021	8	8,638	1	2	60	193	8,902
Additions	-	481	-	1	3	-	485
Disposals/(transfers)	-	60	-	-	-	(60)	-
Depreciation/amortisation expenses	(4)	(1,536)	(1)	(1)	(29)	-	(1,571)
Closing carrying amount at 31 December 2021	4	7,643	-	2	34	133	7,816

Impairment

At 30 June 2021, the Group had re-evaluated whether the recoverable amount of the CGU exceeded its carrying amount in accordance with AASB 136. As a result of the process in June, the Company took an impairment charge of \$15m.

In accordance with AASB 136 the Company has considered whether any indicators of impairment, or impairment reversal, have arisen in the six months to 31 December 2021.

For the purposes of concluding whether any new impairment indicators or reversal indicators existed as at 31 December 2021, the Company considered a range of internal and external factors such as financial performance and Brent crude price movements. There has been no indication of a material deterioration in the prospects of the business as at 31 December 2021 compared to that envisaged at 30 June 2021, and company performance is tracking slightly ahead of what was forecast at June 2021.

As a result of this work, we concluded that there are no new impairment or reversal indicators that arose in the six months to 31 December 2021.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

8 Leases

Right-of-use asset

	Right-of-use asset 000's \$
Cost:	
At 1 July 2021	38,415
At 31 December 2021	38,415
Accumulated depreciation and impairment:	
At 1 July 2021	(30,183)
Charge for the period	(224)
At 31 December 2021	(30,407)
Carrying amount	
At 30 June 2021	8,232
At 31 December 2021	8,008

Lease liability

	31 December 2021 000's \$	30 June 2021 000's \$
Maturity analysis		
Not later than one year	600	551
Later than one year but not later than five years	4,107	3,918
Later than five years	22,755	23,247
	27,462	27,716
Analysed as:		
Current	600	551
Non-current	26,862	27,165
	27,462	27,716

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

8 Leases (continued)

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored internally by the Group's management. A total of \$3.3m bank guarantees are in place as a security over the leases.

The bank guarantee is issued by ANZ. Any bank guarantees issued by ANZ are secured by a right of set off over term deposits held by the Company to the value of the outstanding bank guarantees. The value of this right of set off at 31 December 2021 was \$3.320m (31 December 2020: \$4.715m).

Lease exemptions

At 31 December 2021, Matrix is committed to \$61k (31 Dec 2020: \$54k) in relation to the serviced office and the office equipment leases. Matrix has assessed the value of the underlying assets and considered them as short-term or low value assets, respectively. Therefore, Matrix has applied the lease exemptions and accounted for the lease payments as an operating expense on a straight-line basis over the lease term. The operating expense presented in the interim consolidated statement of profit or loss and other comprehensive income are as follows:

	31 December 2021 000's \$	31 December 2020 000's \$
Multiple copiers	6	8
Multiple IT equipment	34	34
Serviced office	21	12
	61	54

9 Trade and other payables

	31 December 2021 000's \$	30 June 2021 000's \$
Trade payables	2,318	1,224
Other creditors and accruals	2,472	1,623
GST payable	74	199
	4,864	3,046

Trade and other payables are generally paid within 30 to 45 days. No security is provided for these liabilities and no interest has been paid.

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

10 Issued capital

	31 December 2021 000's \$	30 June 2021 000's \$
Issued and paid up capital 117,669,643 (2021: 102,321,429) Ordinary shares	116,463	114,170

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Group does not have a limited amount of authorised capital and issued shares do not have a par value.

Movements in ordinary share capital

	Number of shares	\$000's
Balance 1 July 2020	102,321,429	114,170
Balance 30 June 2021	102,321,429	114,170
Shares issued during the period	15,348,214	2,293
Balance 31 December 2021	117,669,643	116,463

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. Ordinary shares carry one vote per share.

Share-based payment

On 4 November 2021, the Board approved the issue of Long Term Incentives (LTIs) to Mr Aaron Begley. The incentives constitute the following:

- the issue of 2,415,056 share options with an exercise price of \$0.32 and a value of \$0.0352 each.
- The issue of 1,245,249 performance rights with a value of \$0.0683 each.

All the above LTIs have a hurdle based on the Company's share price reaching \$0.32 at the end of the FY24 year, and continuous tenure with the company during that time.

11 Dividends

In respect of the reporting period ended 31 December 2021, no interim dividend was paid (2020: nil).

12 Contingencies

The Group had no contingent liabilities or assets requiring disclosure at 31 December 2021 (2020: nil).

Notes to the Interim Consolidated Financial Statements

For the Half Year Ended 31 December 2021

13 Reclassifications

The following expense accounts in the interim consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2020 were reclassified to the respective accounts below to reflect their FY22 classification as follows:

	Impact of reclassifications		
	As previously reported	Adjustments	As restated
	000's	000's	000's
	\$	\$	\$
Interim consolidated statement of profit or loss and other comprehensive income			
For the year ended 31 December 2020			
Cost of sales	(9,322)	(104)	(9,426)
Marketing expenses	(983)	104	(879)
Research expenses	(139)	59	(80)
Engineering expenses	(273)	(59)	(332)
	<u>(10,717)</u>	<u>-</u>	<u>(10,717)</u>

14 Events occurring after the reporting date

On 20 January 2022 the Company issued a further 28,401,786 shares as part of tranche 2 of a \$6.6m capital raising, net of costs. Tranche 1 was completed in December 2021 and was included in the accounts at 31 December 2021. Tranche 2 was completed following shareholder approval at an Extraordinary General Meeting held on 13 January 2022. The issued capital of the Company following the issue of shares was 146,071,429.

There are no other events of a material nature that have occurred subsequent to the reporting date other than the matters disclosed in the Directors' report.

Matrix Composites & Engineering Ltd

ABN 54 009 435 250

Directors' Declaration

The directors of the Company declare that:

1. The interim consolidated financial statements and notes, as set out on pages 5 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date.
2. In the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Aaron P Begley
Managing Director & Chief Executive Officer

Dated

24 February 2022



Independent Auditor's Review Report

To the shareholders of Matrix Composites & Engineering Ltd

Report on the Interim Consolidated Financial Report

Conclusion

We have reviewed the accompanying **Interim Consolidated Financial Report** of Matrix Composites & Engineering Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Consolidated Half-Year Financial Report of Matrix Composites & Engineering Ltd, does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Consolidated Entity's** financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Consolidated Financial Report** comprises:

- Interim consolidated statement of financial position as at 31 December 2021.
- Interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date.
- Notes comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The **Consolidated Entity** comprises Matrix Composites & Engineering Ltd (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Consolidated Financial Report

The Directors of the Company are responsible for:

- The preparation of the Interim Consolidated Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- Such internal control as the Directors determine is necessary to enable the preparation of the Interim Consolidated Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the Interim Consolidated Financial Report

Our responsibility is to express a conclusion on the Interim Consolidated Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Consolidated Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year that ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature of the KPMG firm, written in blue ink.

KPMG

A handwritten signature of Graham Hogg, written in blue ink.

Graham Hogg

Partner

Perth

24 February 2022