

31 May 2012

Dear Shareholder

**Matrix Entitlement Offer – Notification to Ineligible Retail Shareholders**

On 23 May 2012 Matrix Composites & Engineering Ltd ("**Matrix**") announced an accelerated non-renounceable pro rata entitlement offer ("**Entitlement Offer**") to raise gross proceeds of up to approximately A\$36.7 million. Under the Entitlement Offer, new Matrix fully paid ordinary shares ("**New Shares**") are being offered at an offer price of A\$2.10 per New Share ("**Offer Price**").

The Entitlement Offer consists of an institutional entitlement offer ("**Institutional Offer**") and a retail entitlement offer ("**Retail Offer**"), with the shortfall under the Institutional Offer and the Retail Offer intended to be taken up by certain eligible institutional shareholders and certain other institutional investors. The Retail Entitlement Offer will be made pursuant to an offer document to be sent to eligible retail shareholders on or about 31 May 2012 ("**Offer Booklet**"). The Retail Offer is being made to eligible retail shareholders, as outlined below, on the basis of 1 New Share for every 15 existing Matrix shares held at 7.00 pm (AEST) on Monday, 28 May 2012 ("**Record Date**").

Shareholders who are eligible to participate in the Retail Offer are shareholders who:

- (a) were registered as a Matrix shareholder as at 7.00 pm (AEST) on the Record Date;
- (b) have a registered address in Australia or New Zealand;
- (c) are not in the United States;
- (d) did not receive an offer under the Institutional Offer; and
- (e) are eligible under all applicable securities laws to receive an offer under the Retail Offer.

As Matrix has determined you do not satisfy this eligibility criteria, Matrix is unfortunately unable to extend to you the opportunity to subscribe for New Shares in the Retail Offer, and you will not be sent a copy of the Offer Booklet. This notice is to inform you about the Retail Offer and is not an offer of shares in Matrix. You are not required to do anything in response to this letter.



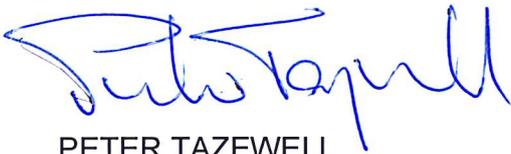


Matrix has determined it would be unreasonable to make offers to shareholders in all countries due to legal limitations in some countries, the number of shareholders there, the number of shares they hold and the potential cost of complying with regulatory requirements in those countries. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), Matrix wishes to advise you that the Institutional Offer has not been extended to you.

As the Entitlement Offer is non-renounceable, you will not receive any payment or value for entitlements in respect of any New Shares that would have been offered to you if you were eligible. If you have any questions in relation to any of the above matters and this letter, please seek professional advice.

On behalf of the directors of Matrix, I thank you for your continued support of Matrix.

Yours sincerely



PETER TAZEWELL  
Company Secretary  
**Matrix Composites & Engineering Ltd**

#### NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

This letter does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or in any other jurisdiction in which such an offer would be illegal. The New Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold to persons in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

**IMPORTANT NOTICE TO NOMINEES:** Because of legal restrictions, you must not send copies of this letter or any material relating to the Entitlement Offer to any of your clients (or any other person) in the United States and on whose behalf you are the registered owner of shares. Failure to comply with these restrictions may result in violations of applicable securities laws.

