LASERBOND

PRODUCTIVITY | INNOVATION | CONSERVATION

Financial Report

For the Half Year Ended December 2023

Appendix 4D & Half-Yearly Financial Report LaserBond Limited

ABN 24 057 636 692

Half Year Information given to the ASX under Listing Rule 4.2A
For half-year ended 31st December 2023

CONTENTS PAGE

CHAIRMAN'S LETTER

Dear Shareholder,

Undoubtedly, the highlight is signing an agreement to purchase an initial 40% of Gateway Group with an option to move to 51% within three years, securing a foothold in Western Australia. For a long time now, a core tenet of our strategy has been to make our services and technologies more accessible to customers, thereby increasing efficiencies with lower costs and downtime and shorter lead times. Technological advancement through a targeted R&D roadmap has always been the engine room of our business and the reason we can offer superior, proprietary technologies that do not exist anywhere else in Australia and potentially overseas. With our expansion into WA, there is ample opportunity to fill a gap in the market for sophisticated and bespoke technology and service delivery for a range of large, heavy-industry customers.

The essence of LaserBond is its continual pursuit of better surface engineering technologies adapted to suit an increasingly broad range of industry applications. Our advanced technologies are why LaserBond has been enthusiastically welcomed in many countries worldwide. They are also why several highly credible tertiary institutions in Australia are keen to partner with us in solving problems that contribute to academic advancement whilst alleviating real commercial constraints and reducing environmental impacts.

On expansion, we also advanced our progress into the lucrative North American surface engineering market. Having appointed a buy-side broker, we now have several acquisition opportunities that require serious consideration. As part of this process, we are considering the opportunities of a diverse industrial landscape, such as the mining, oil and gas, manufacturing, and automotive industries, to stimulate the pursuit of new and adapted applications for further growth and market penetration. We are also firming up a cornerstone arrangement with an existing customer.

We believe that a move into North America is the next step for LaserBond for many reasons, not least given the encouragement we have received from large customers who do not believe there is an alternative anywhere in that market to what LaserBond can offer, particularly given the bespoke nature of our solutions and our range of proprietary technologies.

To hone our focus on these growth plans, we are devoting the resources of our Technology division to servicing the internal requirements of the business as well as continuing to service existing license agreements. At present, we are not proactively marketing for additional licenses.

Financial Highlights

While revenue increased by 8.7% across the business to $20.28 million, ensuing earnings metrics were impacted by two issues that prevented greater revenue recognition. An unanticipated component sourcing issue arose in the Products division, taking most of the half to resolve and impeding the fulfilment of orders, while delays with technology sales outside of our control prevented revenue recognition in the Technology division. However, the gross margin increased slightly to 52.2%, which is notable given the inflationary environment in which we have been operating.

Earnings Summary

	1H24		1H23
Revenue from Continuing Operations	$20.28 M	Up 8.7% from	$18.65 M
EBITDA	$4.20 M	Down 9.1% from	$4.62 M
Net Profit Before Tax	$2.16 M	Down 21.1% from	$2.74 M
Net Profit After Tax	$1.69 M	Down 15.6% from	$2.00 M

Cash remains healthy, with net cash flows of $1.28 million over the period, taking cash holdings to $10.21 million as of 31 December 2023. Working capital increased further to $17.94 million from $14.38 million in the previous corresponding period. Our strong cash position enables the cash component of the investment in Gateway Group to be met from internal resources and adequate to support the operational requirements of business-as-usual activity.

Outlook

LaserBond continues to experience strong demand from various industry sectors in all state-based facilities. With the new investment in Gateway Group, we have opened greater access to a large market and now have a national footprint.

Our facilities in the other states will also be boosted with a stronger workforce, new equipment, and upgrades to existing equipment to fully exploit the capacity of those facilities and take advantage of the continually rising demand for our products, services, and technologies.

On the global front, our proposed entry into the North American market comes when that economy is thriving, and inflation is falling. This move is also supported by a major customer with additional interest from several prospective customers, all seeking a viable solution to a lack of options to source products comparable to those LaserBond offers.

Given the combination of these opportunities, our expansion plans are well-founded and will take LaserBond into the next growth phase.

Dividend

Cognisant of the need to retain the necessary working capital to support a national and international expansion strategy that is both realistic and ambitious, the Board has declared an interim dividend of 0.8 cents per share, fully franked, in line with the final dividend for FY23. The decision to declare an interim dividend reflects the Board's confidence in the future of LaserBond and its balance sheet capacity to support a significant offshore expansion initiative.

On behalf of my fellow directors, I want to thank our dedicated team of employees who remain committed to and optimistic about the challenges and opportunities that we currently have in front of us. Our recent employee engagement review underlined the passion they bring to work each day, with an extremely high survey response rate and an equally high level of engagement across the business. You are all a part of the vision and strategy to grow this organisation into new markets with unique and innovative offerings.

To our investors, you are also a large part of our vision and strategy, and we thank you for your ongoing belief in our ability to prosecute the aggressive growth plans we have articulated over the past few years.

I firmly believe that we have an enviable matrix and balance of skills across the organisation and that this foundation of management, technological and operational knowledge combined with a passion for excellence will become more and more valuable as we take our products and services into new and larger markets both here and offshore.

Philip Suriano

Chairman

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half year ended 31st December 2023		Half year ended 31st December 2022
Revenues from ordinary activities	$20,283,109	Up 8.7% from	$18,651,716
Net profit from ordinary operating activities after tax attributable to members	$1,688,677	Down 15.6% from	$2,000,063
Net profit for the period attributable to members	$1,688,677	Down 15.6% from	$2,000,063
Earnings per share (cents) from profit attributable to members	1.53	Down 16.4% from	1.83
Net tangible assets per ordinary share (NTA Backing - cents)	23.27	Up 13.7% from	20.46

Net tangible assets include right-of-use assets with a carrying value of $9,267,014 as at 31 December 2023 (31 December 2022: $6,561,187)

Dividend Information

Dividends	Amount Per Share (cents)	Total	Franked Amount	Record Date	Payment Date
2023 Final	0.8	$879,776	100%	8 September 23	6 October 23
2024 Interim	0.8	$882,514	100%	8 March 24	28 March 24

The Board has resolved to pay a fully franked interim dividend of 0.8 cents per share. With the forecasted continued growth, the Board expects to be able to continue to pay dividends in the future. As the Board resolution regarding dividends was made after 31st December 2023, the dividend will be paid from retained earnings but is not recognised as a liability in the half-year financial statements.

Dividend Reinvestment Plans

LaserBond Limited had a Dividend Reinvestment Plan (DRP) in operation during the period. Under the DRP, shareholders may elect to have dividends on some or all their ordinary shares automatically reinvested in additional LaserBond shares at a discount to the market price. Full details of the operation of the DRP are contained in the Terms and Conditions available on the LaserBond website: www.laserbond.com.au.

The Board has resolved to offer the DRP for the FY2023 interim dividend. The discount applied to determine the market price will be 5%, in accordance with the DRP terms and conditions.

Brief Explanation of Results

Further details on operating performance and outlook are held in the Director's Report and the ASX release lodged in conjunction with the Report.

Details of Subsidiaries

During the period from 1st July 2023 to 31st December 2023, LaserBond Limited has not gained or lost control over any entities.

Details of Associates and Joint Venture Entities

During the period from 1st July 2023 to 31st December 2023, LaserBond Limited has no interest in any Associates or Joint Venture Entities.

Details of Foreign Entities

During the period from 1st July 2023 to 31st December 2023, LaserBond Limited has no interest in any foreign entities.

Audit Modified Opinion, Emphasis of Matter or other matter

None.

DIRECTORS' REPORT

Your Directors present their report on the entity for the half-year ended 31st December 2023.

Directors

Details of the Company's Directors during the half year and up to the date of the report are as follows:

Director	Position Held	In Office Since
Philip Suriano	Non-Executive Chairman	6 May 2008
Ian Neal	Non-Executive Director	9 May 2022
Dagmar Parsons	Non-Executive Director	30 January 2023
Wayne Hooper	Executive Director & CEO	21 April 1994
Matthew Twist	Executive Director & CFO	30 June 2020

Overview

After three decades of innovation, our technologies are increasingly sought by customers from international markets. We are now in the enviable position of being encouraged by a major global North American based Original Equipment Manufacturer to consider locating a LaserBond facility near their operations on the basis that they believe there is more work for us if we are local and there being no alternative option to the LaserBond offering currently in that market. This is even though surface engineering is a major industry in that region. We have also been approached by other potential customers who have tried to source locally without success.

Thus, we are making good progress on expansion into North America, as announced at the end of FY23. We have been working with a specialist buy-side search and acquisition firm to evaluate potential acquisitions, regions, and markets from which we can develop a comprehensive roadmap for our offshore expansion. We are keenly progressing our investigations, but equally we need to take the requisite time to fully consider the risks and opportunities that emerge from this process.

We have also continued prosecuting our local expansion strategy by acquiring a major stake in Perth-based Gateway Group, an equipment parts and servicing business. Under the sale agreement, LaserBond will initially acquire 40% of the business, using a combination of cash and scrip, with options for increases in ownership within a three-year period of a minimum of 51% controlling share. The Gateway acquisition significantly advances our aim for local facilities, servicing the needs of local customers and affording them greater efficiencies with shorter lead times and closer operations. It also provides better access to a group of large and particularly relevant sectors in the West in the context of LaserBond's offering. Considering Western Australia's industry profile, the opportunities for LaserBond's products, services and technologies are substantial. The production of minerals and metals, petroleum, chemicals, and related products are the most significant contributors to gross state product, followed by machinery, equipment, and metal products. Given the level of infrastructure these sectors require, construction is also a significant contributor, as is agriculture, all of which can benefit from LaserBond's products, services, and technologies for specific purposes.

Moreover, Gateway Group is an established business with excellent management, a strong industry network throughout the state that is consistent with our customer profile and an objective to expand capacity and capability by incorporating surface engineering. The synergies between the two businesses are many, with the initial opportunity for our Services division. Further, with a local presence, a strong brand, and a large customer base, we are confident that other opportunities will emerge for other areas of our business.

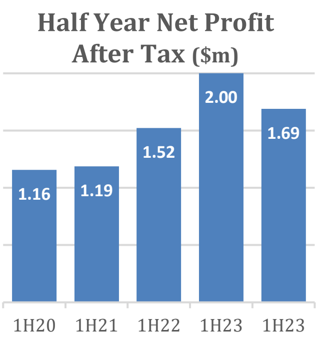
An otherwise strong operational and financial performance in 1H24 was impacted by the closure of a component supplier for our Products division and consequent delays in sourcing alternatives that meet our specifications, as well as delays in being able to recognise revenue on technology licensing sales due to changes in specifications from the original scope and summer recesses in client operations. The sourcing issue is now resolved with the full qualification of new suppliers, and we are well advanced with fulfilling the backlog of orders. Revenue recognition is expected for two technology licensing sales late this quarter, while one is subject to customer testing timeframes before shipment can occur and revenue can be recognised.

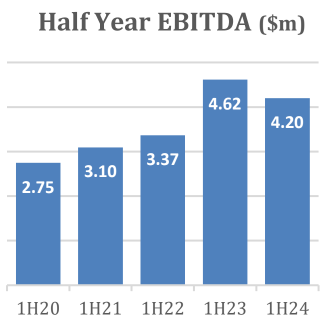
Financial Performance

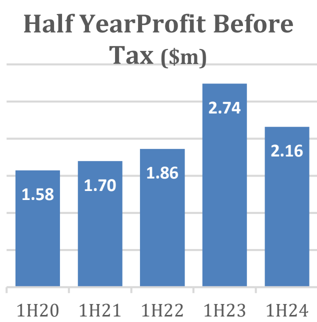
Based on a strong Services division performance, the business achieved an 8.7% increase in revenue from $18.65 million in 1H23 to $20.28 million in the first half of FY24. Gross profit increased by 9.6% to $10.58 million in the current half from $9.66 million in the previous corresponding period, with gross margins increasing from 51.8% in 1H23 to 52.2% in 1H24. This growth in reported revenue was lower than targeted, largely due to the Products division supply chain delays. However, these issues were a primary cause of a 38.5% increase in open orders over the reporting period from $4.75 million on 30 June 2023 to $6.53 million on 31 December 23.

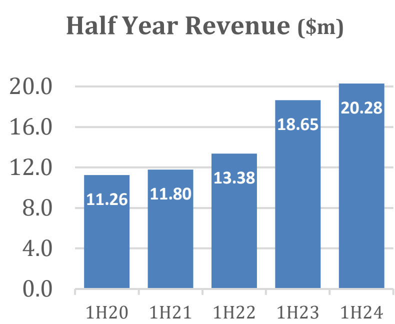
Expenses increased from $5.04 million in the previous corresponding period to $6.60 million in 1H24. Approximately a third of this increase emanated from the continuing recruitment of skilled personnel to deliver current and future growth plans. The increase was also driven by higher right-of-use assets stemming from new Property leases for the Victorian and South Australian operations, which required the recognition of nine and ten-year liabilities, respectively. These increases in expenses are necessary to drive our planned growth.

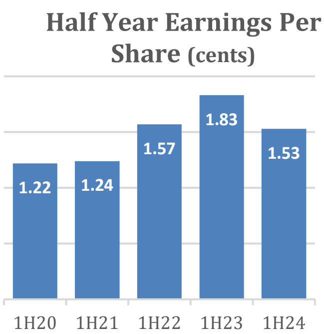
Earnings before interest, tax, depreciation, and amortisation were 9.1% lower at $4.20 million compared with $4.62 million in the previous corresponding period, which drove lower earnings before interest and tax of $2.50 million compared with $3.02 million in 1H23. Before-tax, the profit was $2.16 million, representing a 21.2% decrease from $2.74 million 1H23. After-tax profit was down 15.6% from $2.00 million in the previous corresponding period to $1.69 million in the first half of FY24. Correspondingly, earnings per share decreased by 16.4% from 1.83 cents in 1H23 to 1.53 cents in 1H24.

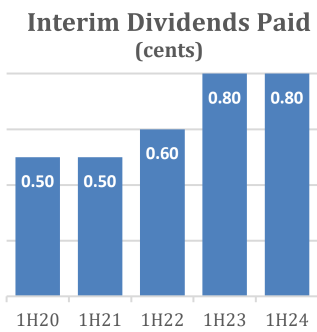




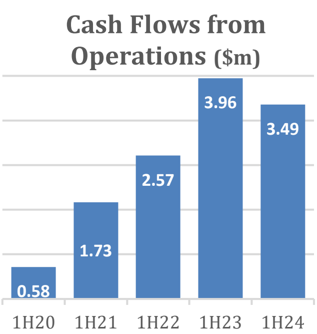


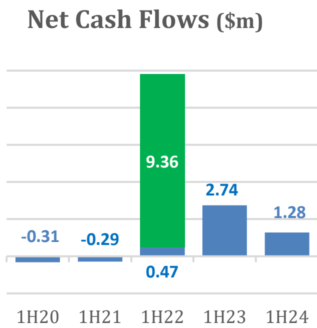




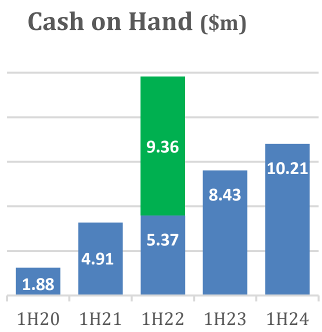


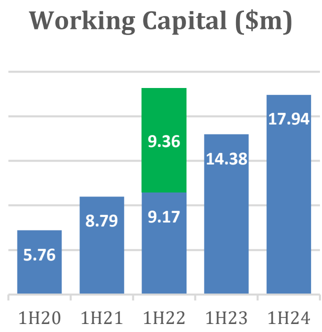
Cash flow from operations continues to be strong despite an 11.9% decrease to $3.49 million, compared with $3.96 million in the previous corresponding period. Net cash flow was $1.28 million in 1H24 compared with $2.74 million in 1H23.

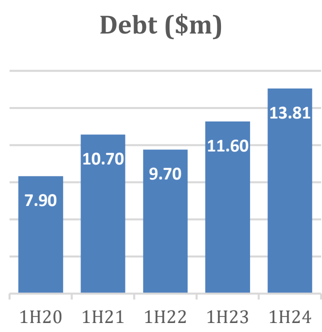




The balance sheet remains strong as of 31 December 2023 with a more than comfortable level of working capital of $17.94 million compared with $14.38 million in 1H23, representing a 24.7% increase over the closing FY23 position. The recent 40% acquisition of the Gateway Group, an industrial components refurbishment business based in Perth, WA, will be partly funded by cash, allowing for more than adequate working capital to support ongoing business requirements and expansion plans into the North American market. Net assets increased by 11.1% to $32.12 million, while cash on hand for the period increased by 21.1% from $8.43 million to $10.21 million at the end of December 2023. LaserBond's debt consists of $10.1 million related to Right of Use assets and $3.7 million equipment financing, secured against the equipment financed.





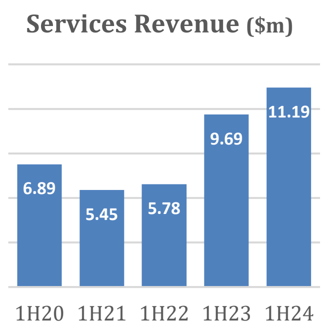


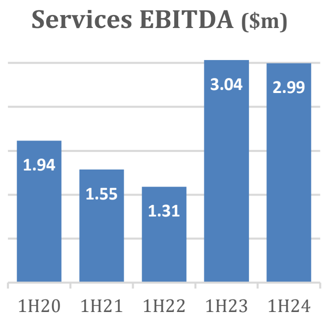
Operational Performance

Despite the impact of the changed supply chain arrangements in the Products division and unavoidable delays in revenue recognition in the Technology division, the underlying operational performance of the business remained strong. Plans are underway for the recruitment of additional skilled workers and upgrades to existing laser cells at all facilities. We also plan to install new cells in the Western Australian operations. With increased employees and equipment, LaserBond can further optimise the capacity across its operations to capture a higher market share in each state and build revenue.

Services Division

The Services division delivered another strong contribution to LaserBond's earnings with a 15.4% uplift in revenue of $11.19 million against the $9.69 million of 1H23 and a 93.7% increase over the $5.78 million achieved in FY22. Over the past five first halves, the division has earned a compound annual growth rate of 12.9%. Earnings before interest, tax, depreciation, and amortisation decreased by 1.5% after investing in overheads to support growth plans. Gross profitability was maintained, reporting 55.8% in 1H24, which aligns with the 55.6% produced in 1H23.





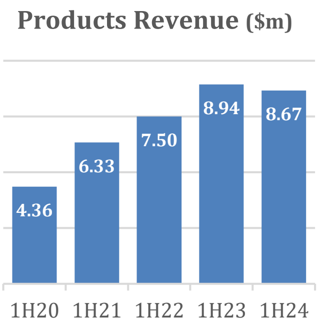
From March this year, a further group of 15 skilled workers will be onboarded and commence a three-to-six-month training program. The addition of these employees will facilitate the introduction of additional shifts in FY25 to take advantage of the ever-growing demand for surface engineering services across industry. We are also increasing capacity at all sites to enable each site to fully service local customers' needs.

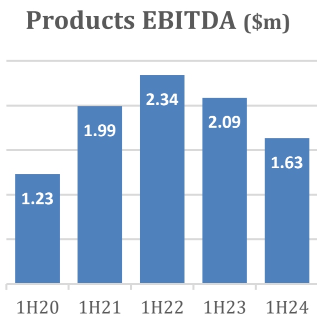
The Queensland facility continues to perform well and will be further optimised by four of the new migrant workers from FY25 onwards and upgrades to two laser cladding cells. The Victorian operations will also be allocated four migrant workers and boosted business development resources to re-build a customer base that was impacted by the pandemic. The NSW operations performed strongly, servicing customers of products and services, and will be allocated three migrant workers to support local growth.

A new LaserBond laser cladding cell will increase capacity at the Gateway Group's facility in Perth, in which LaserBond is acquiring a 40% interest in February this year, while upgrades or improvements to cells in Queensland, Victoria and South Australia will also augment capacity and efficiency.

There is also a continued focus on targeting new work in the industry sectors that offer the greatest opportunities in terms of margins and current and forecasted demand, such as marine, water, cement, rail, defence, and timber, pulp, and paper.

Products Division





The Products division's half-year performance was impacted by a supplier change for some raw materials components required to manufacture OEM finished goods. Once the process of identifying a new supplier was completed, the new supplier needed to prepare for production and provide initial one-offs for cladding and testing. To resolve the time lag issue, LaserBond attempted to source air-freighted components from overseas to fulfil existing orders. However, while some components arrived in late November, it was too late to complete the manufacturing process and ship orders to customers, thus impacting revenue for the half and resulting in a larger backlog of orders for the beginning of 2H24.

Given these constraints, the minimal decrease in half-year revenue of 3.0% indicates a level of underlying revenue growth that could have been delivered by the division had it not been hampered by the supply chain issue. The first half of the revenue was $8.67 million compared with $8.94 million in the previous corresponding period. Earnings before interest, tax, depreciation, and amortisation decreased by 21.8% from $2.09 million in 1H23 $1.63 million in 1H24 due to costs associated with the supplier change that could not be offset by revenue in the same period. Margins were maintained despite higher costs incurred while attempting to solve the time lag on components, with a 47.8% gross profit in 1H24 compared with 47.6% in 1H23.

As the LaserBond brand, and the innovation and quality associated with it, becomes more prominent in offshore markets, we are increasingly receiving orders from overseas customers in Asia, the Middle East, North America, and other regions. These approaches are the result of LaserBond's international business development activity to promote our LaserBond branded products over the past few years. Furthermore, the combination of a North American manufacturing facility and our current Australian operations will better enable the business to offer acceptable lead times on orders and shipping to customers worldwide.

Technology Division

In terms of its half-year performance, the Technology division achieved revenue of $0.42 million, which was derived from the equipment supply to Swinburne University and licensing fees and consumables for our UK and NZ licensees. The Curtin University cell will be supplied late in the current quarter with revenue recognition this financial year.

As reported at the FY23 year-end, the delivery of the cell to our North American licensee has been deferred by a revision to the operational scope in response to redefined customer requirements. The licensee has requested we further develop solutions for their particular applications, for which some unusual requirements have come to light. It is satisfied with our progress in developing bespoke solutions, which will be factory-tested in its facility and field-tested by its customers. The timing of revenue recognition is contingent on the testing process, which may or may not be completed in the current financial year.

Under a ten-year license agreement with an Indian company, LaserBond is providing LaserBond equipment and know-how to adapt a laser cell supplied by others using LaserBond technology to solve technical difficulties with the cell and assist with operational understanding of the unit and its applications. Factory acceptance testing is expected within weeks before the shipment later in the current quarter, at which point revenue can be recognised.

Over the past several years, the successive business cases to expand LaserBond's local operations into new geographic regions have required the installation of proprietary LaserBond cells or major upgrades of existing cells in the acquired operations to maximise capacity and capture greater regional market share. Facilities were acquired in Victoria in 2020, Queensland in 2022, and, as announced most recently, Western Australia this year. All of them require LaserBond cells to be installed to optimise the value of the acquisition. This additional internal demand for laser cells, combined with commitments to supply and maintain cells under licensing agreements to external customers, has grown at a time when the business is also actively investigating options to establish a LaserBond facility in North America to service a large market that is very receptive to our proprietary technology.

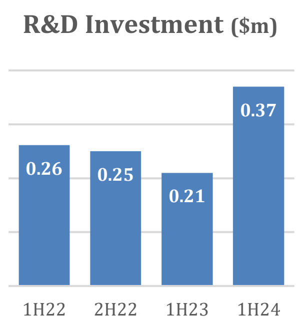
Therefore, the Board has considered where the company's resources are best invested under the current set of circumstances. This review has resulted in the Technology division shifting its focus to service internal requirements and firm commitments to prospective and existing customers and deferring business development activity in pursuit of offshore technology licensing agreements until the current internal demand is largely satisfied and/or increased resources can be allocated to support a higher level of demand.

At present, LaserBond's range of technologies available for licensing has covered a diversity of applications, which are often further developed to bespoke designs to meet specific customer requirements. In future, beyond the current period of high internal demand, we intend to offer a smaller range of standardised LaserBond cladding cells that can be produced cost-effectively with short lead times as other surface engineering services businesses seek to expand into the laser technology space.

Innovation

LaserBond has pioneered the advancement of surface engineering in Australia for decades, investing in solutions to industry and customer-specific problems that ultimately have broader market appeal and can be commercialised and taken to market. In many cases, research and development projects have been advanced in collaboration with industry partners and renowned Australian universities, leveraging our R&D efforts and enabling comprehensive third-party testing and verification.

Recently, the R&D team has increased its focus on materials and processes to achieve economical, higher-quality solutions for existing customers and customers with novel applications, requiring the development of new coating solutions. For some applications, our development aims to deliver high-performance, fit-for-purpose coatings in economically constrained applications, opening higher-volume markets. We are also improving our LaserBond® cladding systems with features to provide increased automation, repeatability, and reliability.



With demand continually increasing across the spectrum of industries in which we offer our products and services, and a greater understanding of the significant efficiencies and other benefits of laser cladding proliferates in the marketplace, the need to remain ahead of the competition with proprietary products and services is more critical than ever. Ever conscious of this imperative, we increased our investment in R&D in the first half year to capture the first-to-market advantages that emanate from our unique approach to finding new, more sophisticated, and more efficient ways of solving problems, with the potential for adaptation to a broader set of applications.

Late last year, LaserBond recruited an experienced specialist for the new role of Technical Product Manager to actively drive the identification of new applications, customers, and markets. The specialist works with all departments, especially with R&D and Sales, to identify and deliver new surface engineering solutions to industry problems, improving productivity, efficiency, environmental impact, margins and overall financial performance.

Another hallmark of LaserBond's research and development program is its commitment to developing products and technologies that minimise the impact of industrial operations on our environment through extended life spans, reduced maintenance and lower energy and water demands. In turn, these features enable customers to comply with stringent environmental operating regulations, against which they must report publicly, and adhere to their own set of sustainability targets that also attract healthy levels of attention.

Safety

In a high-risk industrial operating environment, safety is a critical enabler of business continuity. By communicating the paramount importance of safety procedures and the risks of not adhering to them and permeating every part of our operations with a compelling safety ethos, we have instilled in our workers an obligation to protect themselves and each other. At LaserBond, protecting people is a commitment that falls outside of any commercial objective. The spin-off benefits, however, are improved operating efficiency and reliability.

The safety platform at LaserBond is founded on a comprehensive structure that begins with risk identification and analysis, followed by implementing effective control measures to mitigate them. After an initial safety induction within the onboarding process, employees receive regular training and communication and are encouraged to report safety issues in team meetings, toolbox meetings and one-on-one meetings with supervisors.

I am pleased to report that the lost time injury frequency rate across all sites in the LaserBond group, as measured over a rolling 12-month period, has decreased by 56.4% as of 31 December 2023. Furthermore, all sites have reduced their LTIFR over the last 12 months, indicating that our messages are infiltrating throughout the business, and employees are increasing their awareness of their importance.

Sustainability

A key aspect of the technologies developed by LaserBond is mitigating the impact of a client's operations on the environment, improving their sustainability performance. We are facilitating the circular economy by enabling large components to be reclaimed and further reducing scrap by ensuring wearing components last longer in service. In many industries, the wear of components can result in decreasing efficiency of their operations before the components are replaced. LaserBond is facilitating our customer's compliance with increasingly stringent regulations and the enhanced reputational benefits that come with responsible disclosure and proactive sustainability management. Our contribution to our customers' sustainability performance significantly magnifies our own performance in this area while adding to the attractiveness and efficacy of our technologies.

Sustainable use of energy and water and responsible approaches to issues such as single-use plastics are just some of the considerations that businesses need to have in place to minimise an entity's impact on the environment. LaserBond has all those policies and practices built into its business, including waste minimisation, energy efficiency and recycling processes. Further formalising these processes is our requirement to report under the Industrial Machinery and Goods category of the Sustainability Accounting Standards Board in the next few years.

People and Culture

Our skilled workforce continues to expand to meet current and forecast demand and optimise existing operational capacity at all sites. The current number of employees sits at 147, up from 135 on 31 December 2022. We plan to add 15 skilled employees in the second half.

Our apprenticeship scheme has been an important foundation for our growth for many years. We currently have 24 apprentices and trainees, and these programs across all sites are critical in supporting our growth.

With the business continually growing and new employees rising, we are increasing supervisor training and introducing new leadership development training for all frontline leaders and senior management. A comprehensive succession planning process is underway to manage the transfer of skills and knowledge as some of our people approach retirement.

In terms of our culture, we conducted a repeat of an employee engagement survey in November, which returned improved and excellent results with an active engagement score of 82% from a very high participation rate. Confirming this positive engagement score was a disengagement score of zero, reflecting the strong culture of commitment and teamwork across the business.

Strategy

The opportunities for LaserBond, both in Australia and offshore, are extensive. As a developer and producer of superior quality products and services and an innovator of a range of technologies with broad applications specifically designed to solve industry problems, there is interest in what we can provide in standard or bespoke form. The issue is which opportunities to pursue to build the business judiciously and efficiently for the greatest return to shareholders.

Thus, the Board is currently reviewing and extending the strategy to provide a roadmap to 2028 that will guide what we do and how we do it. Local and international expansion remain our priorities, as do increasing our capability and capacity with more people and equipment. Our research and development endeavours will continue to drive our thinking, culture and customer focus, as we continually seek to capture revenue streams from new products, services and technologies designed for the next generation of surface engineering applications.

Outlook

With the investment in Gateway, our domestic market opportunity substantially increases. Additionally, a move to the United States will locate our business closer to key customers, both existing and potential, shortening supply chains and creating a natural currency hedge for our company.

The strategic focus for the next period will be on

- ensuring that we engage well with the Gateway team to leverage their strengths and commence planning to incorporate appropriate LaserBond surface engineering capabilities into Gateway facilities for Western Australia.
- Completing our research into an acquisition in the USA, which will be used as a base for market entry, following our existing client opportunities.

The operational focus remains on increasing revenue through our existing facilities in New South Wales, Queensland, South Australia, and Victoria.

Knowing that LaserBond's revenue, inclusive of Gateway's revenue relative to our 40% ownership, will achieve our FY25 $60 million target, we have commenced our longer-term planning. We are now formulating our next target to 2028, including expansion in the United States and consolidation of our Gateway investment. We look forward to sharing this with the market in due course.

Our technology strategy is focused for the next while on satisfying our own expected needs for LaserBond laser cladding cells, and we expect this focus to deliver substantial, sustainable organic revenue and profit growth. An immediate need will be to satisfy the anticipated demand from Gateway and our United States expansion.

In closing, I reiterate the words of appreciation from our Chairman to our employees for their unerring commitment and hard work and to our investors for their stalwart support and belief in our vision.

Events subsequent to balance date

LaserBond has executed an agreement to acquire a 40% equity interest in Gateway Group, a Perth-based equipment parts and servicing business, with an agreement to reach a minimum of 51% ownership three years from the settlement date of the acquisition. The purchase, which includes Gateway Parts & Services Pty Ltd and Gateway Hydraulics Pty Ltd, will be made with a combination of cash and scrip. Please refer to the separate ASX announcement lodged 23 February 2024 for further information.

No other matters have arisen that have affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years which has not already been reflected in this report.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is included on page 14 of the financial report for the half-year ended 31 December 2023.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Wayne Hooper

Executive Director

Dated this 23rd day of February 2024.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

The half-year financial statements and notes, as set out on pages 21 to 26 are in accordance with the Corporations Act 2001 including:

a) Complying with Accounting Standards AASB134: Interim Financial Reporting and the Corporations regulation 2001; and

b) Giving a true and fair view of the Company's financial position as at 31st December 2023 and of its performance for the half-year ended on that date.

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.

This declaration is made in accordance with a resolution of the Board of Directors.

Wayne Hooper

Executive Director

Dated this 23rd Day of February 2024.

LNP Audit + Assurance

ABN 65 155 188 837
L8 309 Kent Street Sydney NSW 2000
L24 570 Bourke Street Melbourne VIC 3000
L14 167 Eagle Street Brisbane QLD 4000
L28 140 St Georges Terrace Perth WA 6000
1300 551 266
www.lnpaudit.com

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF LASERBOND LIMITED

As lead auditor of LaserBond Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

2. no contraventions of any applicable code of professional conduct in relation to the review.

LNP Audit and Assurance Pty Ltd

Archana Kumar
Director
Sydney

23 February 2024

LNP Audit + Assurance
ABN 65 155 188 837
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L14 167 Eagle Street Brisbane QLD 4000
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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF LASERBOND LIMITED

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the half-year financial report of LaserBond Limited, (the Company), which comprises the condensed statement of financial position as at 31 December 2023, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of LaserBond Limited does not comply with the *Corporation Act 2001* including:

(a) Giving a true and fair view of LaserBond Limited's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standards 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity.* Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *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 the Code.

We confirm that the independence declaration required by the *Corporation Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the half year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the half year Financial Report

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with 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.

LNP Audit and Assurance Pty Ltd

Archana Kumar
Director
Sydney

23 February 2024

Condensed Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 December 2023

	31 Dec 2023 $	31 Dec 2022 $
Revenue from continuing operations	20,283,109	18,651,716
Cost of Sales	(9,704,074)	(8,990,530)
Gross Profit from continuing operations	**10,579,035**	**9,661,186**
Other Income	147,650	229,789
Administration Expenses	(2,395,057)	(2,159,781)
Depreciation & Amortisation	(1,701,682)	(1,612,075)
Employment Expenses	(3,640,651)	(2,844,108)
Finance Costs	(393,486)	(283,883)
Research & Development Costs	(357,647)	(210,454)
Other Expenses	(77,663)	(40,761)
Profit before tax	**2,160,499**	**2,739,913**
Income tax expense	(471,822)	(739,850)
Profit for the period	**1,688,677**	**2,000,063**
Other comprehensive income for the period, net of tax	–	–
Total comprehensive income attributable to members of LaserBond Limited	**1,688,677**	**2,000,063**
Earnings per share for profit attributable to members:		
Basic and Diluted Earnings per share (cents)	1.53	1.83

These Financial Statements should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position for the Half-Year Ended 31 December 2023

	Notes	31 Dec 2023 $	30 Jun 2023 $
CURRENT ASSETS			
Cash and cash equivalents		10,206,561	8,929,215
Trade and Other Receivables	2	8,869,935	9,442,622
Inventories	3	7,529,685	7,343,427
Total Current Assets		**26,606,181**	**25,715,264**
NON-CURRENT ASSETS			
Property, plant, and equipment	4	20,595,703	18,798,257
Deferred tax assets		919,482	759,123
Rental Bond		40,776	43,777
Goodwill		6,260,968	6,260,968
Intangible Assets		249,076	255,062
Total Non-Current Assets		**28,066,005**	**26,117,187**
TOTAL ASSETS		**54,672,186**	**51,832,451**
CURRENT LIABILITIES			
Trade and Other Payables	5	3,955,037	4,689,060
Current Tax Liabilities		560,723	254,710
Employee Benefits		2,361,945	1,994,607
Financial Liabilities	6	1,793,257	2,325,409
Total Current Liabilities		**8,670,962**	**9,263,786**
NON-CURRENT LIABILITIES			
Financial Liabilities	6	12,020,035	9,508,197
Employee Benefits		221,650	155,568
Deferred Tax Liability		1,641,319	1,834,342
Total Non-Current Liabilities		**13,883,004**	**11,498,107**
TOTAL LIABILITIES		**22,553,966**	**20,761,893**
NET ASSETS		**32,118,220**	**31,070,558**
EQUITY			
Issued Capital	7	19,021,244	18,782,492
Retained earnings		13,096,976	12,288,066
TOTAL EQUITY		**32,118,220**	**31,070,558**

These Financial Statements should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows for the Half-Year Ended 31 December 2023

	31 Dec 2023 $	31 Dec 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	23,696,677	22,117,131
Payments to Suppliers and Employees	(19,356,354)	(17,391,592)
Interest Paid	(393,486)	(283,883)
Interest Received	57,048	17,727
Income Taxes Paid	(519,191)	(503,477)
Net cash provided by operating activities	3,484,694	3,955,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Plant and Equipment	593,661	(94,164)
Proceeds from disposal of Plant and Equipment	500	-
Loans to Employees, net	(65,155)	(67,888)
Net cash used in investing activities	(658,316)	(162,052)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issue of Shares, net	(14,548)	(2,217)
Repayment of Finance Leases	(886,732)	(443,570)
Dividends Paid	(647,752)	(606,193)
Net cash (used in)/provided by financing activities	(1,549,032)	(1,051,980)
NET INCREASE IN CASH HELD	1,277,346	2,741,874
Cash at Beginning of Period	8,929,215	5,683,812
CASH AT END OF PERIOD	10,206,561	8,425,686

These Financial Statements should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity for the Half-Year Ended 31 December 2022

	Issued ordinary capital	Retained earnings	Total equity
	$	$	$
Opening Balance at 1st July 2022	**18,226,957**	**9,281,155**	**27,508,112**
Profit for the period	-	2,000,063	2,000,063
Dividends paid during the period	-	(874,349)	(874,349)
Issue of Share Capital (net of costs)	285,478	-	285,478
Closing Balance at 31st December 2022	**18,512,435**	**10,406,869**	**28,919,304**
Opening Balance at 1st July 2023	**18,782,492**	**12,288,066**	**31,070,558**
Profit for the period	-	1,688,677	1,688,677
Dividends paid during the period	-	(879,767)	(879,767)
Issue of Share Capital (net of costs)	238,752	-	238,752
Closing Balance at 31st December 2023	**19,021,244**	**13,096,976**	**32,118,220**

These Financial Statements should be read in conjunction with the accompanying notes

Notes to the Condensed Financial Statements for the Half-Year Ended 31 December 2023

Corporate Information

LaserBond Limited (the Company) is a for-profit listed public Company incorporated and domiciled in Australia. The financial report for the half year ended 31 December 2023 relates to LaserBond Limited as an individual entity. The Company specialises in developing technologies and implementing its metal cladding methodologies to increase capital-intensive machinery components' operating performance and wear life. LaserBond operates from New South Wales, Queensland, South Australia, and Victoria facilities.

The financial statements have been approved and authorised for issue by the Board of Directors on 22 February 2024.

Note 1: Significant Accounting Policies

a) General information and basis of preparation

The condensed financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001, applicable Accounting Standards (including AASB 134 Interim Financial Reporting) and other mandatory professional reporting requirements. All amounts are presented in Australian dollars ($AUD). The condensed financial report does not include notes of the type typically included in an annual financial report and shall be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made during the half year to 31 December 2023 in accordance with the continuous disclosure obligations under the Australian Securities and Exchange Listing Rules and the Corporations Act 2001. 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 annual financial report for the financial year ended 30 June 2023, unless stated otherwise.

b) New and Amended Standards Adopted

The accounting policies adopted in the preparation of the half-year financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2023, except for the adoption of new standards effective as of 1 July 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company has adopted all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and are effective for the financial year beginning 1 July 2023. Adopting these standards did not have a material impact on the Company's half-year financial report.

c) Critical accounting estimates and judgement

In applying the Company's accounting policies, several estimates and assumptions have been made concerning the future. The directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances but which are inherently uncertain and unpredictable. As a result, actual results could differ from those estimates. The main areas where a higher degree of judgement arises or where assumptions and estimates are significant to the financial statements are:

Carrying amount of Goodwill – The Company determines whether goodwill is impaired at least at each reporting date. This requires estimating the recoverable amount of the cash-generating units (CGU) to which goodwill has been allocated using the value-in-use discounted cash flow methodology. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate to calculate the present value of those cash flows. The high-interest rate environment was considered in the assessment of the required return on equity in relation to discounted cash flow (DCF) models and the future cash flow projections in DCF models. A material impairment loss may arise if future cash flows are less than expected. At the half-year, the Company performs a review of impairment indicators. Based on management's assessment, there were no impairment indicators and hence, no impairment was required.

Note 2: Trade & Other Receivables

	31 Dec 2023 $	30 Jun 2023 $
Trade receivables	7,076,808	8,685,547
Provision for expected credit losses	(125,000)	(105,000)
Loans – Employees	16,612	1,363
Prepayments and other receivables (a)	1,901,515	860,712
	8,869,935	9,442,622

a) Balances include progress payments for raw materials, recruitment, patent applications and a collaborative research project.

Note 3: Inventories

Stock on Hand – Raw Materials	3,880,282	3,746,311
Stock on Hand – Finished Goods	507,160	247,752
Work in Progress	3,142,243	3,349,364
	7,529,685	7,343,427

The increase in raw materials is attributed mainly to deliveries from late November through December for products division materials related to a supplier change. The increase in finished goods is attributed mainly to the additional skilled shop floor resources, allowing these inventory levels to be maintained appropriately to suit short lead time customer needs.

Note 4: Property, Plant & Equipment

Work in Progress	583,926	377,546
Prepayments of Plant and Equipment Assets	95,826	415,691
Plant & Equipment		
At cost	21,476,580	20,643,180
Less accumulated depreciation	(11,220,512)	(10,179,395)
	10,256,068	10,463,785
Office Equipment		
At cost	383,070	350,352
Less accumulated depreciation	(278,638)	(263,849)
	104,432	86,503
Motor Vehicles		
At cost	830,536	830,836
Less Accumulated depreciation	(560,062)	(537,471)
	288,437	293,365
Right of Use Assets		
At cost	12,561,734	10,505,756
Less Accumulated depreciation	(3,294,720)	(3,344,389)
	9,267,014	7,161,367
Total property, plant & equipment	20,595,703	18,798,257

The increase in Right of Use Assets relates to renewing the Victorian facility lease for a further three years, plus two options of three years.

Note 5: Trade and Other Payables

	31 Dec 2023 $	30 Jun 2023 $
Deferred Income	1,935,873	1,905,689
Other Payables and Accrued Expenses	2,019,164	2,783,371
	3,955,037	4,689,060

Deferred income relates to deposits and progress payments as per the Technology division's contracts for supplying three laser cladding cells to North America, India. and Curtin University in WA.

Note 6: Financial Liabilities

Current Liabilities		
Hire purchase and finance lease	918,657	1,688,563
Lease Liabilities (AASB 16)	874,600	636,846
	1,793,257	2,325,409
Non-Current Liabilities		
Hire purchase and finance lease	2,763,853	2,302,556
Lease Liabilities (AASB 16)	9,256,182	7,205,641
	12,020,035	9,508,197
	13,813,292	11,833,606

The increase in Lease Liabilities related to AASB 16: Right of Use Assets is based on renewing the Victorian facility lease for a further three years, plus two options of three years.

Note 7: Contributed Equity

Issued and Paid-Up Capital	19,021,244	18,782,492

	31 Dec 2023 Shares	31 Dec 2023 $	30 Jun 2023 Shares	30 Jun 2023 $
Opening Balance	109,971,995	18,782,492	109,301,609	18,226,957
Issued Shares	342,308	238,752	670,386	555,535
	110,314,303	19,021,244	109,971,995	18,782,492

a) **Ordinary Shares**

Date	Details	No. Shares	Issue Price (Cents per Share)	$
1 July 2023	Opening Balance	109,971,995		18,782,493
6 October 2023	Dividend Reinvestment Plan	283,006	0.8197	218,241
20 December 2023	Employee Share Plan	59,302	0.9000	20,510
31 December 2023	Closing Balance	110,314,303		19,021,244

Note 8: Dividends

	31 Dec 2023 $	31 Dec 2022 $
Declared fully franked 2023 final dividend of 0.8 cents per share (2022: 0.8)	879,767	874,349

Dividends not recognised during reporting period

Since 31 December 2023, the Directors have recommended an interim dividend of 0.8 cents per fully paid ordinary share (2022: 0.8 cents), fully franked based on tax paid at 25.0%. The aggregate amount of the proposed dividend expected to be paid on 28 March 2024 out of retained earnings at 31 December 2023, but not recognised as a liability, is $882,514.

Note 9: Related Party Transactions

Consultants
Transactions with related parties are on regular commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Other Related Parties	31 Dec 2023 $	31 Dec 2022 $
Labour Costs		
Payroll persons related to executive directors	102,526	95,400

Note: this is exclusive of executive director remuneration, which is included in the remuneration report within the Directors' Report of the 2023 Annual Report.

(b) Key Management Personnel Transactions		
Hawkesdale Group (*Phil Suriano*)	2,591	2,868
Management Abroad (*Ian Neal*)	7,800	-
Dagmar Parsons	6,250	-
	16,641	2,868

These consultant fees are for services provided by non-executive directors through non-executive director-related entities to support executive functions. Fees relative to a non-executive director's board fees are included in the remuneration report within the Directors' Report of the 2023 Annual Report. These consultancy services relate to sales and recruitment support.

Superannuation		
Contribution to superannuation funds on behalf of key management personnel	40,073	40,176

Note 10: Contingent Liabilities and Commitments

The Company has committed to:

a) Security deposit guarantees of $245,102 with the Commonwealth Bank for three leased premises.
b) Committed but unpaid $572,614 for fixed assets, including a horizontal borer, cylindrical grinder, and lathe.

Otherwise, the Directors are unaware of any other contingent liabilities or commitments as of 31 December 2023.

Note 11: Subsequent Events

LaserBond has executed an agreement to acquire a 40% equity interest in Gateway Group, a Perth-based equipment parts and servicing business, with an agreement to reach a minimum of 51% ownership three years from the settlement date of the acquisition. The purchase, which includes Gateway Parts & Services Pty Ltd and Gateway Hydraulics Pty Ltd, will be made with a combination of cash and scrip. Please refer to the separate ASX announcement lodged 23 February 2024 for further information.

No other matters have arisen that have affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years, which has not already been reflected in this report.

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Note 12: Segment Reporting

The Company has identified its operating segments based on the internal reports reviewed and used by the Executive Directors (chief operating decision-makers) in assessing performance and determining the allocation of resources. The Company operates entirely within Australia.

	31 December 2023				
	Services $	Product $	Technology $	R&D $	Total $
Revenue	11,187,623	8,672,756	422,730	-	20,283,109
Gross Profit	55.8%	47.8%	44.2%	-	52.2%
EBITDA	2,994,041	1,630,947	(68,720)	(357,649)	4,198,619
Interest	(189,520)	(146,918)	-	-	(336,438)
Depreciation & Amortisation	(951,400)	(737,535)	-	(12,747)	(1,701,682)
Profit Before Income Tax	1,853,121	746,494	(68,720)	(370,396)	2,160,499
Income tax expense	(404,695)	(163,024)	15,008	80,889	(471,822)
Profit after Income Tax	1,448,426	583,470	(53,712)	(289,507)	1,688,677
					Dec 23
Assets					54,672,186
Liabilities					(22,553,966)

	31 December 2022				
	Services $	Product $	Technology $	Other $	Total $
Revenue	9,691,344	8,938,172	22,200	-	18,651,716
Gross Profit	55.6%	47.6%	84.9%	-	51.8%
EBITDA	3,039,891	2,086,707	(306,246)	(202,208)	4,618,144
Interest	138,458	127,698	-	-	266,156
Depreciation & Amortisation	831,558	766,934	-	13,583	1,612,075
Profit Before Income Tax	2,069,875	1,192,075	(306,246)	(215,791)	2,739,913
Income tax expense	(559,167)	(321,457)	82,583	58,191	(739,850)
Profit after Income Tax	1,510,708	870,618	(223,663)	(157,600)	2,000,063
					Dec 22
Assets					48,731,118
Liabilities					(19,811,814)

Company Details

Registered Office and Principal Place of Business:

LaserBond Ltd	2/57 Anderson Road SMEATON GRANGE NSW 2565 Phone: 02 4631 4500 www.laserbond.com.au

Divisions of Head Office:

South Australia	112 Levels Road CAVAN SA 5094 Phone: 08 8262 2289
Victoria	26-32 Aberdeen Road ALTONA VIC 3018 Phone: 03 9398 5925
Queensland	74 High Road BETHANIA QLD 4205 Phone: 07 3200 9733

Share Registry:

Boardroom Pty Ltd	Grosvenor Place Level 8, 210 George Street SYDNEY NSW 2000 Phone: 1300 737 760 www.boardroomlimited.com.au

Auditor:

LNP Audit & Assurance Pty Ltd	Level 8, 309 Kent Street SYDNEY NSW 2000 www.lnpaudit.com.au

Solicitor:

HWL Ebsworth Lawyers	Level 14, Australia Square 264-278 George Street SYDNEY NSW 2000 Phone: +61 2 9334 8555

Bankers:

Commonwealth Bank of Australia	Major Client Group Level 9, Darling Park Tower 1 201 Sussex Street SYDNEY NSW 2000