

29 October 2014

**2014 Annual General Meeting
Address by Allan Morton - Chairman**

Ladies & Gentlemen, welcome to the 2014 Annual General Meeting of LaserBond Limited. It is an honour to serve as your Chairman. I trust this will be the first of many Chairman's Address' I can give as we develop and grow the company.

I commenced the role in March, after a strategic review of the Board, the current and future operating performance of the company. This has signalled some strategic changes which I will highlight shortly.

We thank former Chairman, Tim McCauley for his leadership, particularly during the difficult task of closing down the Gladstone facility. I will leave our Executive Director, Wayne Hooper to address matters of the 1st-half period of FYE-14 in his presentation that follows.

Your Board's recent focus has been around three strategies. Firstly to ensure our continuing operations are efficient and capable of delivering a robust profit. Secondly, to support this with by improving the governance standard for the company so all shareholders can feel confident in how we go forward. Thirdly, we are restoring focus on our DNA; researching and developing new technologies and applications associated with extending the life, and performance of capital-intensive equipment.

Our 2014 revenues for continuing operations are up 3.0%, \$9.67 M vs \$9.39M for FYE-13. Flowing through from this we have reported significant improvements to the Underlying EBITDA, up 161%, underlying NPAT up 434% yielding an increase in Underlying Earnings per Share up 350%.

To ensure we can maintain and grow these returns many of our internal activities are being reviewed. In the production operations area our 5S lean manufacturing initiatives have made a visible difference to workflows, which has improved many of our KPIs.

We have refreshed our marketing and sales activities to support both our key customers and new business development work. The downturn in capital-intensive industries has sharpened the focus on reducing operating costs; this plays well into LaserBond's capabilities. We offer our customer's significant savings by remanufacturing costly imported equipment, most often to a 'better than new' standard.

From an environmental (and carbon footprint) perspective, remanufacturing enhances performance life of equipment, and delivers substantial energy savings. This invites new sales opportunities with many multi-national resource companies seeking to improve their 'green' credentials.

The Board is also conscious of the heightened scrutiny coming onto small cap stocks. Within the constraints of the company size we have raised our game by incorporating audit, risk and remuneration committees into your company's governance. Changes to our website provides

extended investor relations information. Through some excellent work of our administration team we have also brought forward our reporting dates, which is more timely and efficient.

We have also made some changes in our Executive Director job roles. These clearly signal our intent to both grow our existing base, whilst developing and commercialising our DNA.

That DNA is the researching of materials and methods associated with surface reengineering and remanufacturing. It's the passion of our founder, Greg Hooper. He now formally leads this activity from our SA facility, as Executive Director – R&D. As with all R&D activities, his team has had some mixed results, with one or two projects now in advanced field-testing phases, with a view to commercialisation later this financial year.

Wayne Hooper's role as 'Executive Director – General Manager' provides the commercial and operational leadership that is driving improvements in our ongoing operations.

Being a relatively small company, your non-executive directors, Phil Suriano and myself, are also hands-on to actively support Greg & Wayne to lift LaserBond's growth and performance.

We believe the efforts and commitments of the team will enable the momentum of the past year's turnaround to be maintained. In time continued investment in our R&D program, working with industry partners should underpin growth with new high value products and services.

I want to acknowledge the immediate and wide support from our shareholders that I have received in my short time with LaserBond, testimony that will be seen in the resolutions that are being presented today.

Your board truly appreciates this backing of the company.

Allan Morton
Chairman

**2014 Annual General Meeting
Address by Wayne Hooper - Executive Director**

Good morning ladies and gentlemen.

We would like to take this opportunity to provide a brief update on the company's activities. I will focus on the existing operations and markets. Greg Hooper will follow with a report on the Research and Development activities that we believe will provide significant growth opportunities for the company.

The 2014 financial year saw the resignation of the previous Chairman, Tim McCauley and the appointment of Allan Morton. As a significant shareholder and board member, I would like to thank Tim for his contribution from the period before our listing until his resignation. I would also like to communicate that I am pleased Allan accepted the Board's invitation to take up the position as Chairman. Allan has brought some fresh ideas and made significant contributions to the strategic direction of the company. I am confident that his positive contribution will continue for the benefit of all shareholders.

A good proportion of LaserBond's revenue has traditionally been derived from maintenance and capital investment activities in mining and minerals processing industries. These industries continue to be under pressure with cyclically low commodity prices and a relatively high Australian dollar. The coal mining sector is particularly suffering at the moment. Marginal mines are being closed, and coal mining companies are looking for cost savings wherever they can be gained. This includes reducing the frequency and extent of maintenance and searching for lower cost contractors to carry out the maintenance.

Other industries are also finding it tough. For example, whilst the rolled products and smelting divisions of Alcoa were not major customers, they were significant, and the imminent closure of those business units in Australia has had some effect on our revenues.

The service departments of the Original Equipment Manufacturers that are major customers for LaserBond have almost universally suffered major downturns in demand, and this has been reflected in their orders on us. However, we have maintained sales with good quality margins.

It is pleasing that despite the challenges during FY2014 LaserBond was able to maintain total revenue whilst major customers were reducing orders and other mining service companies suffered major declines.

Indeed our service offering is part of the solution for miners in their quest to reduce costs. The primary challenge for LaserBond is to demonstrate what we can do to more diversified and more critical audience. We have risen to this by increasing our investment in sales and marketing resources.

We are diversifying our marketing and sales activities into other market segments, as well as shoring up demand from the mining sectors.

At the beginning of the current financial year we appointed a Business Development Manager to work alongside the sales team to grow new markets. It is still early days, but he is making good progress with new customers and applications.

In operations, we have been increasing productivity, reducing quality issues, reducing lead times and exceeding customer's expectations in terms of delivery and performance. The entire

workforce is engaged in these improvement activities through formal training and application of a Lean Manufacturing improvement process. This is having a positive effect on gross margins.

In the Annual Report we reported that overall gross margins had improved by 5.1% in FY2014 compared with FY2013. We have been able to realise further improvements in the first quarter of FY2015 through the application of Lean manufacturing. The continuous improvement activities are ongoing with expected long term, sustainable benefits to the bottom line.

In South Australia we have had some mixed results with clients and projects. However spare capacity has not been wasted, it has become the centre for some significant Research and Development activities. We believe they have precipitated some significant opportunities we are keen to exploit. Greg Hooper will elaborate further.

Outlook

Revenue is expected to be flat for the first half of FY2015 with gross margins improving.

In order to grow revenue in the difficult market we have taken on some additional fixed costs, primarily associated with the Business Development Manager and marketing activities to commercialise our R&D work. The higher fixed costs are expected to negate the improved gross margins for the first half.

However, the business development activities are expected to yield increasing revenue and profits in the second half of the financial year. In addition, the substantial opportunities offered by the successful R&D program will improve revenue and profits further in the second half and into future years.

I will now hand over to Greg to discuss the R&D program further.

Wayne Hooper
Executive Director

2014 Annual General Meeting
Address by Gregory Hooper - Executive Director

LaserBond's core business activity is the study and implementation of tribological science and engineering protocols to reduce the total cost of ownership for end users in capital-intensive industries by making wearing components last longer; known as surface engineering.

Wear is a familiar phenomenon, and its effect on our possessions is accepted and taken for granted. We accept that the tyres on our motor vehicle only last a certain distance, and the blades on our lawn mower need replacing when they become dull.

However, in industry the economic implications of wear are severe and in fact it is widely accepted that at least 1% of the GDP of an industrialised country could be saved with minimal investment into the research and application of wear resistant materials.

With regard to our research & development activities, LaserBond is at the forefront for this challenge and has increased its investment to take advantage of the many years of accumulated knowledge and experience it has within its management, sales and workshop personnel.

I am very pleased to announce that we have just filed two provisional patent applications arising out of the intensive work that I have been conducting in South Australia.

The first is associated with some core materials and methodologies work we have been investigating which enables our laser cladding systems to cost effectively apply some new higher performing materials. This will give us the opportunity to target a number of new applications as well as being cost competitive in applications that utilise more traditional methods such as hard chrome plating.

This means the highest wear resistance coating can now be applied to machinery components previously unsuited to traditional laser cladding methods. In our world of surface reengineering it opens up a number of industry markets and specific disruptive opportunities for LaserBond.

Our second patent application is the first industrial application we have identified for the aforementioned technology. We have commenced comparative in-field testing of a piece of equipment used in the mining industry that exploits our materials and methods technology. These trials are being conducted under the supervision of an independent testing group to ensure objectivity and confidentiality.

While we are still a month or so away from any formal reporting of results, I am prepared to advise the meeting that the results to date are highly encouraging. We have sufficient confidence now to move forward into planning a commercialisation phase.

Bear in mind that this equipment represents a very small part of an extremely large global mining industry, and while it doesn't apply universally, just in high wearing ground conditions, we estimate the market within Australia alone to be approximately \$200M. Disruptive advancements represent some special challenges when entering markets with well-established competition; however it has been done before. We expect to take a commercially significant share of that market.

If further tuning and testing confirm the early results, it can result in significant revenue growth in the latter part of FY2015 and beyond. The success with one or more of these projects will see LaserBond move into the manufacturing, marketing and selling of its own product.

In mining, the pressure on the coal industry is continuing, and overall, coal mining has declined as a share of mining revenue. We have not been immune to this decline. But, mining in general is growing and is expected to grow at a compound rate of 6.6%, compared with compound GDP growth of 2.6%, indicating that mining's contribution to our overall economy is increasing.

The new methods and products previously mentioned will enable LaserBond to enter additional mining sectors including iron ore, gold, nickel, zinc and copper. The primary challenge for LaserBond revolves around communicating and proving the performance of our new technologies.

Greg Hooper
Executive Director