

Investor Update Half-Year 2015

23 February 2015

ASX:LBL

Highlights



- ✓ Maintained Sales Revenue throughout current mining downturn
- ✓ 7% Growth in GP via Improved Efficiencies & Margins
- ✓ Building on Core Competencies by Reactivating R&D - dedicated facility in SA
- ✓ R&D has Developed, Patented, & Tested a Down the Hole Hammer
- ✓ Commercialisation of Patented DTH Hammer Product next 6 months
- ✓ Other mining related products currently being trialed
- ✓ Stable Management & Board Improvement
- ✓ Sufficient cash reserves to implement current projects

Investing in our Core Technologies to Build Long-term Growth

Robust Business Performance



Stable Revenue (down 4.1% p.c.p.)

- Despite decline in capital-intensive industries.
- Market is tuning into cost benefits of surface engineering technologies.

Gross Profit Up 7.1% to 52.9% from improved efficiencies.

- Lean Manufacturing Project is delivering durable improvement to GP.
- Key staff achieving their KPIs.

11% Increase in Fixed Expenses

- Investment directed to improving business capabilities.

Improving Shareholder Returns by investing in ourselves.

- \$450K invested in R&D - yielded two patent applications and new products.
- \$34K invested in Lean training programs - improved gross profit.
- \$126K recruiting new skilled sales team - identified new industry opportunities.

Strategy of Investing in 'our DNA' is delivering long-term benefits.



Strong Financial Results*



| | Half-Year \$,000s | 31 Dec 2014 | 31 Dec 2013 | Notes for Previous Corresponding Period (Dec / Dec) |
|--|----------------------|-------------------------|-------------------------|--|
| Revenue from continuing activities* | | 4,654 | 4,852 | ✓ Sales steady in difficult market conditions |
| Gross Profit* Gross Profit Margin | | 2,463 52.9% | 2,397 49.4% | ✓ GP Margin Up 7.1% Improved efficiencies |
| EBITDA* EBITDA Margin | | 606 13.0% | 633 13.0% | ✓ |
| NPAT* NPAT Margin | | 264 5.7% | 275 5.7% | ✓ Maintained Profit Margins after increased investment in growth strategies |
| Earnings per Share (cents) Dividends (Fully Franked) | | 0.30 0.20 | 0.32 0.20 | |
| Cash Position (End of Period) | | 2,339 | 1,995 | ✓ Maintaining cash growth Prepared for future |
| Financial Position (Total Equity) Total Assets Total Liabilities | | 6,354 8,643 2,289 | 5,864 8,607 2,743 | ✓ Reducing debt Increasing cash Current assets 3.2x Current liabilities |

* Excludes the impact of 2013-2014 write-down associated with investment in and subsequent closure of subsidiary, Peachey's Engineering Gladstone.

Stable Sales Revenue



Continuing Operations Revenue Steady

- Core services sales maintained in difficult market.
- Strong business relationships on East Coast.
- New relationships in SA and beyond.

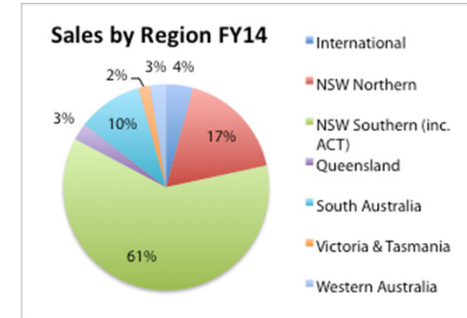
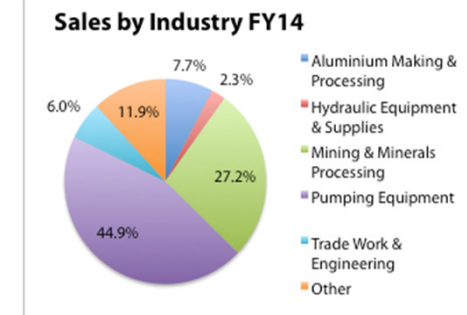
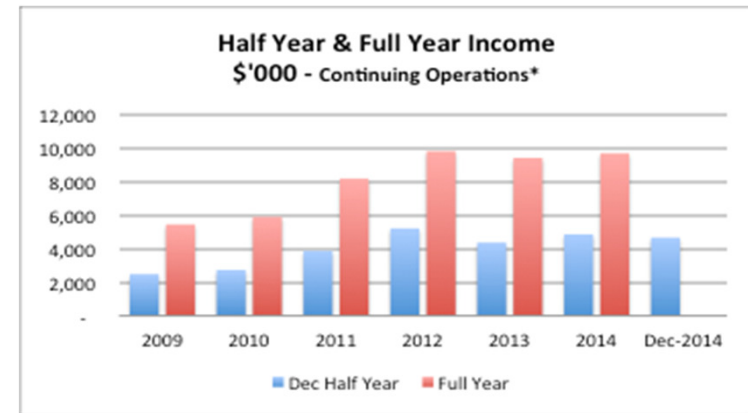
Selling Value of LaserBond's Core Competencies

- Customers who enjoy benefits of advanced surface engineering stay.
- Development of 'Service' business on industry solutions to reduce productive cost of high wear machinery.
- Ongoing development of 'service' business to provide new solutions for other capital-intensive industries.

New Revenue from 'Products' in 2015

- LaserBond patent technology being embedded into new long wear life products for key industries, particularly mining.

Revenue Growth though new 'Services' & 'Products' in 2015.



Advanced Surface Engineering



“Surface Engineering” involves modifying the working surface of components to provide improved life and performance.

- Produces surface-substrate systems having properties that cannot be achieved from the individual components alone.
- Broad range of applications in chemistry, electrical, aeronautical and mechanical engineering.

LaserBond’s expertise makes high wearing components in capital intensive industries perform better and last longer.

- Core competency in advanced metallurgy and application methodology.

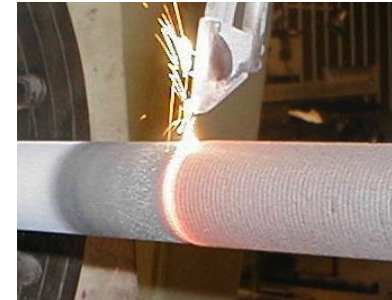
Utilise a range of technologies to reengineer components

- Deliver superior specifications at less than replacement cost.
- Reengineering could be saving 1% of GDP.
- Remanufacture offers a triple win; social, economic and environmental.

Offers cost & productivity benefits to many industries

- Quality and reliability of repair and remanufacturing services.
- Sales team goal is to engage and educate more operational decision-makers.

LaserBond’s opportunities expand when industries move to ‘cost reduction’ mode.

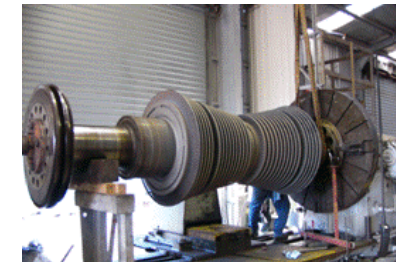


Extensive Technical Capabilities



Advanced LaserBond® Cladding systems

- LaserBond first introduced the technology in 2001
- Delivers a high strength welded bond without thermal decomposition
- Continue to invest in additional high capacity laser cladding systems.



Thermal Spraying processes create high performance surfaces

- HP HVOF versatile process for impact and high wear resistance.
- Electric Arc Spraying used for low cost rebuilding of components.
- Plasma Arc creates extreme high velocity gas to apply a wide range of sprayable materials, including non-ferrous metals, ceramics and cermets.



Large Capacity Machine Shops enables complete remanufacturing

- CNC and conventional equipment.
- Lean manufacturing principles applied throughout.
- Moving to PAS 99 standard covering quality, WH&S and environmental accreditation.



Metallographic Laboratory ensures necessary tuning of surface engineering

- Only surface engineering company with Scanning Electron Microscope.
- Laboratory supports R&D with high quality analysis.

LaserBond's integrated manufacturing increases value-add of services.

Reactivated R&D Activities



Renewed focus on developing our DNA.

- New investment in R&D.
- Executive Director – R&D role established.
- SA Facilities become centre for R&D activities.

Two Patent applications registered

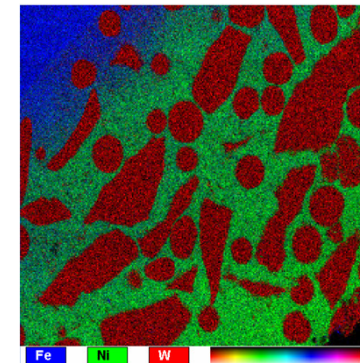
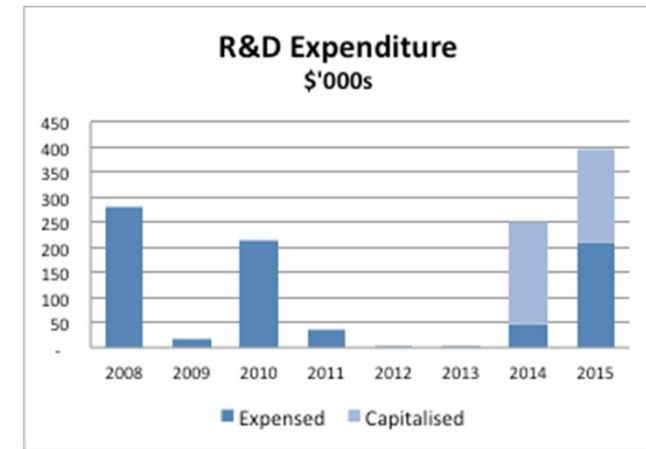
- Core material & methodology associated with laser cladding.
- Means highest wear resistant coatings can now be applied to previously unsuited machinery components.
- Redesign of drilling hammer which embeds new technology.

Other Applications identified within mining industry

- Core field development work underway with industry partners.
- Collaboration with industry research groups.

Independent DTH Field Trial Results proved the new technology

- *“LaserBond technology had an average life approximately 2.44 times greater than the standard components”.*
- DTH hammer life yielded a 7% saving to the total drilling costs.
- Second phase trials now in other mines with different geology and economics.



Scanning Electron Microscope X-ray
Map of a LaserBond® coating

LaserBond commercialising our R&D via expanded services and a new 'product' division.

New Down-the-Hole Hammers



LaserBond's New Technology embedded in new hammer design

- Demonstrated significantly longer life & higher performance than competitive offering.
- Plan to produce in SA in a new advanced manufacturing facility.

Drill & Blast Production Drilling uses DTH hammers

- Air powered mechanical device that drills faster in hard metalliferous rock.
- Premature failure by abrasive drill cuttings in flushing airflow.
- Treated as a consumable item.

Australian Market estimated to be \$200M pa**.

- Hard rock mining includes iron ore, gold, nickel, zinc and copper.
- Estimated global market exceeds \$1 Billion.**
- DTH applications can grow with extended wear life.

Highly Abrasive Rock Applications are ideal for LaserBond® DTH hammers

- Trials show customers can reduce overall drilling costs by over 7%.
- LaserBond has \$1M p.a. commercial relationship with one customer.
- There are 149 drilling companies drilling in the Australian market.
- LaserBond expects to release limited range in May 2015.

LaserBond's commercial prototypes are now in Phase 2 field trials.

** Based on available market information.



Competitor wear vs LaserBond

Building Management Capability



Improving Board Effectiveness and Governance to support growth

- Chair is actively engaged in change and up-skilling board.
- Implemented Committees; Audit, Remuneration and Risk.
- Non-Executive Directors working closely with management to implement new strategic plan.



Defining Executive Directors with increased strategic focus

- Greg Hooper focus now on R&D activities and SA operations.
- Wayne Hooper is improving general management functions, overall profitability and performance of NSW service business.



Restructuring business into 'Services' and 'Product' divisions

- Reflects different market opportunities.
- Different capabilities necessary to develop divisions.



Training of next level of management

- Building depth into management team for next stage.



LaserBond is building the capability of its team for expanding business.

Strategic Growth

Current Cash Reserves & Profitability Supports Growth Investments

- \$2.3M cash and cash equivalents. Total Debt / Total Assets = 11.9%.
- Profitable stable growing business since 1994.

Investing in well researched activities

- Industry analysis of high wear issues in capital-intensive industries.
- Collaboration with government and industry centric research organisations.

Expanding Rebuild and Manufacturing facilities

- NSW facilities have recently been significantly expanded.
- Additional capacity and capability for rebuild and remanufacturing.
- Investing in improved marketing - educating new customers.

Advanced Manufacturing and R&D Facilities being considered for SA

- Central location to service mining and capital industries nationally.
- Large pool of skilled manufacturing employees who understand robotics.

Interest in Technology Licensing

- Consultants in international business relationships have been engaged and utilised to respond.

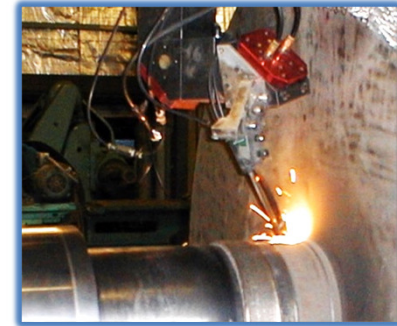


We are investing in our core competencies – R&D and Manufacturing

Outlook

Mining & Metals Processing operations continue to grow

- Mining moved sharply in 2014 with decline in resource prices.
- Increased focus on productivity and unit cost reduction.
- Transport and other infrastructure pursuing international competitiveness.
- LaserBond is providing services and products that deliver unit cost reductions.



Environment benefits is a strong sales advantage

- Government initiatives to reduce carbon impact through increased machinery productivity, reduced scrap and less maintenance.

Services (Division) sales, margin and EBIT to continue improving

- Sales revenue return to previous growth rate.
- Marketing focus on awareness of LaserBond's advanced applications.
- Further improvement in margins with ongoing Lean Manufacturing.

New R&D 'Products' offer large mining market cost reductions

- Developing high performance components in conjunction with major user customers.
- Investment in advanced manufacturing facilities.
- New revenue stream from DTH Hammers to commence in June quarter.
- Full year product sales forecast to grow from \$1M in 2015.

LaserBond's outlook solid - building off core competencies

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