

ASX: Announcement - Market Update - FY2016 Guidance

Revenue Grows 9.5% yr/yr – Profitability and New Projects Advancing to Plan – New 16kW Laser Purchase

LaserBond forecasts a 9.5% yr/yr increase in revenue for the FY2016 (\$10.5M), built on a significant improvement in second half. It is a pleasing result against the continuance of a challenging market, especially in the resource sector.

Profit margins have been maintained. Our second half is expected to deliver a net profit turnaround that more than covers the first half reported losses.

R&D Activities

Our R&D activities in laser deposition have delivered a new product innovation that converted into significant new sales to a global original equipment manufacturer (OEM) in the Mining Equipment Technology and Services (METS) sector. These products are manufactured in our SA facilities, which have run to capacity for the past quarter.

To meet increasing production demand we are purchasing a new 16kW laser with the intention of it forming the foundation for building a high productivity advanced additive laser-manufacturing cell around its capabilities. It is designed to double production capacity in SA.

This unit, in conjunction with the new high deposition rate method developed by the LaserBond R&D team, and recent collaboration with University of SA, enables our SA facilities to become a significant hub in the production and remanufacture of specialised wear resistant components for heavy industries, like mining, drilling and mineral processing.

SERVICES Division

Services revenues continue to represent the majority of our business with continuing R&D supporting increased sales to original equipment manufacturers. Margins are being maintained despite a resources sector that is under pressure.

During the second half we have installed and commissioned a suite of gas quenched vacuum heat treatment furnaces, which brings a previously outsourced function in-house, together with a range of new customers. The furnaces also allow our R&D team to develop some new surface engineered product applications

PRODUCTS Division

Despite continued technical endorsement our DTH drilling product's field performance, we have experienced a challenge to break into the market defended by well-entrenched competition. Whilst the rate of take up of DTH hammers has fallen short of expectations, we are well advanced on collaboration initiatives that will see our investment well rewarded during the next year.

The LaserBond Board remains committed to its belief in developing and manufacturing its own specialised long-wear life products using advanced surface engineering technologies. LaserBond

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TECHNOLOGY Division

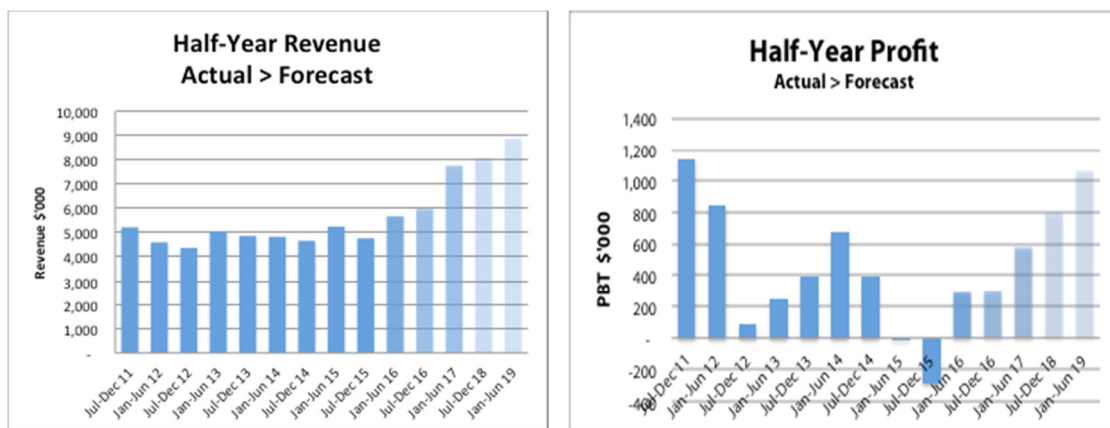
The Technology licensing group has recently signed a MOU to design, manufacture, train and support a custom designed laser cladding system tailored to a specific industrial applications. Should the final sale contracts be completed the value exceeds \$1.4M plus ongoing service performance fees.

This importantly recognises the value of LaserBond’s technology and underpins LaserBond’s ability to scale its interests into further local and international markets.

Outlook for FY2017

We expect FY2017 growth to be driven by our Products and Technology divisions, with modest growth in Services.

Against the increases in revenue the company expects to invest in additional capital equipment to double our manufacturing capacity in South Australia, support growth with additional R&D and technical production staff, principally in SA. Profit growth will be contingent on the extent of this investment, and consistent with forecasted revenue growth.



Future Years

The Board is pleased to have undertaken significant investment in capacity and capability over the past year and maintained overall profitability. The ongoing business development program is capitalising on growth opportunities we have created for ourselves from R&D activities, new marketing and new staff. This will continue.

LaserBond’s increased focus on R&D and innovation will continue to provide specialised products, services and technology that drive improved productivity from our customer’s capital equipment. This aligns with a global resources economy that pursues sustainable growth.