

18 June 2013

Market Update

The Board advises that for FY2013 consolidated revenue will be in the range of \$13.5 - \$14.0 million which represents a decline of approximately <6%> over FY2012. As a result of increased costs as well as significant non-recurring factors, particularly with the Queensland division, the company will achieve a consolidated loss of approximately <\$0.7m> for the 2012-2013 fiscal year, not including the previously reported impairment loss. Further details by division are outlined below.

LaserBond (Queensland) Division

As at 31 December 2012, LaserBond reported revenue growth over the previous corresponding period, but a loss of \$289,689 before tax for the Queensland division. This loss was predominantly due to increasing fixed costs as a direct result of the rapid expansion in the area due to major works programs. In particular, rising property rental costs (27% increase in rent due to market reviews over and above CPI increases applied in previous years), on-going pressure on wages within the region and ability to retain staff.

As indicated in the Half Year Financial Report, there was some decline in revenue for the January to March 2013 quarter. However discussions with clients provided some evidence that spending was likely to improve in the last quarter. Unfortunately, the second half of the financial year generally remained very weak.

With the reduction in revenue in the second half of the year and the pressure from high costs (including non-recurring costs such as recent redundancies), the Queensland division is expected to report a loss in excess of <\$1.2 million> for FY2013.

The Board is actively pursuing all options for eliminating future losses from the Queensland division.

LaserBond (New South Wales) Division

The NSW division has experienced significant growth in the second half of the financial year. In the first half, it was relocated to new, larger premises to provide much needed floor space and capacity to continue growth.

As at 31 December 2012, NSW reported a decline in revenue of <16%> over the previous corresponding period, resulting in a profit of \$85,109 (discounting the \$3 million impairment loss adjustment of goodwill in consideration related to the purchase of the Queensland division). As detailed in the 2013 Half Year Financial Report, the NSW

division had experienced this decline in revenue from a number of factors including market conditions and capacity constraints during the relocation of its premises. The temporary capacity constraints and inefficiencies resulting from the relocation also affected gross profit.

Over recent months, despite spending from larger customers remaining subdued, NSW revenue has increased from March 2013 to above historical monthly averages. Gross profits have also been returned to historical levels.

With the increasing revenue from March 2013 and the significant improvement in gross profit, the NSW division is expected to achieve a profit before tax in excess of \$500,000, with 90% of this result achieved since March 2013. These recent results are expected to continue into 2013-2014 providing consistent profitability for the NSW division.

LaserBond (South Australia) Division

The company has successfully re-commissioned existing LaserBond® cladding equipment in South Australia. Focus is currently on the commitment to Gearhart United in the LaserBond cladding of their components, and sales strategies to build a local client base. Revenue is expected to reach up to \$1.2 million for 2013-2014, providing a profitable base for continued growth. This division will have little effect on results reported for the 2012-2013 fiscal year.



Matthew Twist
Company Secretary