

Chairman's Introductory Address Annual General Meeting Monday 24 October 2016

Over the past financial year and the first quarter of the current year LaserBond has demonstrated success in our planned strategic direction and the performance potential of the company. It is however, only the beginning of our transformation into a global leader of research, design and implementation of advanced surface engineering technologies.

Productivity, Innovation and Conservation describe the core values that underpin our future growth and profitability.

We are now in our 25th year. LaserBond is a classic family founded success story, it has developed a unique suite of technologies that deliver significant benefits to our capital-intensive industry customers. In particular, the resources sector where we are well recognised as a leader in wear-life extension that drives productivity and cost reduction.

'Innovation' and 'Collaboration' have become leading strategies across all the industry sectors where we contribute. LaserBond's technology is aligned with four of the six 'Australian Government Growth Centre' initiatives ([Advanced Manufacturing](#); [Food and Agribusiness](#); [Mining Equipment, Technology and Services](#); and [Oil, Gas and Energy Resources](#)) plus Defence, where we are also well positioned. In each the motivation is to embrace next generation additive manufacturing technologies, combined with advanced materials to deliver knowledge rich components or machinery, that does its job better.

In recent months we have earned some \$1.168M in financial support from the Australian and South Australian Governments; the major grant being a 1/3 contribution to our three-year, \$3.22M development that will more than double the company's Product division manufacturing capacity and associated revenue. In early 2017 LaserBond will have one of the world's most powerful and sophisticated laser cladding systems operating in our Cavan SA facilities.

Two other programs are directed to support industry led R&D collaboration in sectors that can rapidly commercialise innovation. We are confident recent collaboration agreements with University of SA/ Future Industries Institute and Boart Longyear will deliver results in the current year.

Productivity is a global trend, especially in resources sector and one that LaserBond is embracing. Services Division is enjoying strong business as more industries recognise the cost savings and productivity gains available through repair and remanufacture using our facilities.

Over the past six months we have vigorously and successfully researched export market opportunities. This year our export revenue in products that embed our IP will increase from 4% to 23% of total revenue. These are specialised wear resistant components manufactured by our Products division exclusively for OEMs seeking the market advantage that "LaserBond® Technology" offers.



Our 'Technology' division has achieved its first sale of a laser system, licencing and support package; another \$1.4M in export business that will be recognised in second half and beyond as the project is delivered. The project is underway, with deposits banked and major components on order. Revenues will continue as ongoing license and support fees are earned.

Sales revenue growth continues an upward trend, for the FY2016 we reported 10.2% yr/yr growth. We can also announce our comparable Sept-Qtr 2017, is up 26%, without the aforementioned Technology division sale. Our forecast for FY2017 is for 30% growth.

Our overall margin remains strong, now at 55.9% with some divisional differences.

Naturally this comes after an investment in R&D, marketing and people. In FY2016 this investment the first half-year delivered a break-even full year profit, after a strong second half, which has continued into the current year.

Having recently returned from the MINExpo in USA, and an AustMine Canadian Trade Mission, it is clear that LaserBond's technology is at the forefront internationally. Our IP has global application for numerous resource industry OEMs; it has the capacity to transform our customers' expectation in wear-life and operation performance. To capitalise on these opportunities, LaserBond needs to expand and invest in management capabilities and market readiness.

I trust you will accept this as an exciting entrée' into what promises to be another year of growth.

Your Board appreciates the wide support from shareholders for our work over the past year. Through the resolutions that follow we trust that we can continue on this technology driven growth path.

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