

23 November 2011

**2011 Annual General Meeting
Executive Director's Address and Financial Update**

Good morning ladies and gentlemen. Welcome and thank you for attending the Annual General Meeting. On behalf of the Board, I would like to take the opportunity to provide an update on the performance, recent developments and the financial outlook for the company.

Results for FY2011

The results have been many years in the making and speak for themselves. After the significant obstacles presented to the success of the business in the aftermath of the GFC, we were pleased to achieve growth in revenue and earnings reported in FY2011, and to deliver the maiden dividend as a listed entity. I would like to publicly acknowledge that this was achieved through the dedication and outstanding efforts of the company's employees, many of whom are shareholders.

Whilst the dividend was the first since listing, it represented a return to the pre-float conditions where dividends were regularly paid. The company has always run at a profit since it was established in 1993, and for many years prior to listing had made modest franked dividend payments to shareholders. However, the demand on cash flow presented by GFC generated losses in Queensland during the FY2010 required dividends to be temporarily curtailed. The Board plans to make biennial dividend distributions into the future that will allow all shareholders to benefit from accrued franking credits, whilst retaining a significant proportion of generated profits to fund the growth of the business. For each dividend, the Board will decide whether to offer the dividend reinvestment plan based on existing cash and expected requirements to fund growth.

LaserBond (NSW)

The Board continues to be very pleased with the performance of the NSW division. As indicated in the Annual Report, revenue in NSW increased by over 38% in FY2011 compared with FY2010, continuing the strong growth from previous years. As I will enumerate later in this report, the growth continues at a very healthy pace. Revenue growth has been attributable to a number of factors, including the stimulation of greater demand for the company's surfacing technologies, coupled with enhanced supplementary manufacturing capabilities.

It is important to note, however, that the continued growth in revenue and profit can only be achieved with some investment to enhance capacity. In the short term, this imposes some additional costs on the business, but positions it well to continue growth in revenue and profit. During the latter half of FY2011, the production capacity of the business was expanded through the installation of new CNC machines tools. Whilst the operation is being run on a 2 shift basis, there remains further capacity for utilisation.

In the Annual Report, we stated that FY2012 will be a year of cash flow funded investment and continuing organic growth. So far this financial year, we have acquired the assets of C&B Engineering, which includes large capacity machining equipment as well as CNC machines. We are also enhancing the capacity of this business to meet customer demand by installing a

large CNC horizontal borer, due in January. A new more energy efficient LaserBond® cladding system has also been designed and constructed. All of this investment has come at a small cost to profit in the short term, but gives the NSW division greater capacity to satisfy the needs of and strengthen the relationship with its customers. The Board has approved these investments in order to allow continued growth. There is currently significant spare capacity and the utilisation of this additional capacity will lead to further enhancement of sales and profits.

Along with the investment in equipment, there has been an investment in personnel. It has always been a challenge to find and recruit skilled employees, but we are meeting that challenge through active recruitment and training and by ramping up our apprenticeship program. In June 2010, the NSW division employed 33 personnel. It currently employs 43, and enjoys a very high staff retention rate. The recruitment and training of personnel is ongoing.

Last year we reported that the NSW division needs larger premises. At that stage we were operating from the 1050m² building in Ingleburn plus 180m² of storage in an adjacent industrial unit. Since then we have secured the short term lease of the building housing the C&B Engineering assets located in nearby Minto (approximately 1400m²). In order to make the most efficient advantage of the extra capacity we have purchased, all of the NSW operations will be relocated to a new, purpose built 5,000m² facility from the middle of 2012 calendar year, giving the NSW division the room to continue to expand its operations, and take advantage of new markets for its services. We have reached agreement with the developer, and lease documents for the new facility are currently under review by Laserbond's lawyer. Construction of the facility has commenced, with practical completion due by 30 June 2012.

LaserBond (Qld)

As expected, the Queensland division is achieving increased demand for LaserBond's unique surface engineering capabilities to assist large local industries to reduce maintenance costs. It is also experiencing good growth in demand for the machining capacities, much of it aligned to surface engineering. After a good end to the 2011 financial year, the project style work for the fabrication facilities has declined in FY2012, but there are several projects in the pipeline that have been quoted for commencement early in the 2012 calendar year.

This financial year, Laserbond has employed a new general manager in Queensland and trained a full time technical sales representative to further improve revenue and profits. In Queensland, we have been investing in efficiency improvements and training through the implementation of 5S and Lean Manufacturing principles in order to increase gross profits of the business.

As mentioned last year, the Central Queensland region has many industries that will utilise Laserbond's specialised services, including alumina refineries, a smelter, power stations, ports, coal loaders, and mines. Gladstone is well positioned as a service centre for the Surat and Bowen basins, the mining heart of Queensland. Laserbond is in the right place to take advantage of this growth. There is a great deal of construction and on-site fabrication activity associated with the coal seam gas industry expansion. It is expected that the CSG operations will have significant demand for LaserBond's services once they are in operation and need maintenance. However, the growth in the region has also presented some challenges. The extraordinary demand for skilled labour and accommodation in a small city like Gladstone has put tremendous pressure on the cost of living and significant upwards pressure on the cost of labour. The shortage and cost of skilled labour and accommodation in the Gladstone region remains a challenge to the business that we are actively managing.

Expected Financial Results

Laserbond is budgeting for a positive financial year achieved primarily through organic growth. The group's half yearly financial reports for the period July to December 2011 are due early in 2012. In summary the Board expects an increase of 25% in revenue and a 57% increase in profit before tax over the corresponding period to December 2010.

With the further utilisation of the capacity within the both divisions the Board expects the results for the second half of this financial year to continue to trend upwards.

Expansion of Operations

The management and Board are actively investigating and pursuing growth strategies in other markets, and in particular Western Australia. Preliminary discussions have been held with a number of potential acquisitions that will be accretive in earnings per share and that will be enhanced with Laserbond's surface engineering capabilities. In parallel with these efforts, we have also been evaluating green field expansion options.

In terms of organic growth, the business is working on some new applications, but needs the extra room of the new building in NSW to fully capitalise on the potential markets.

The Longer Term

As stated in the Annual Report, the implementation of the Carbon Tax from 1 July 2012, will have only a small effect on the costs of operation of the business, but will grow LaserBond's market and increase the demand for its specialised services.

We have been asked by one shareholder about the size of the market for our services and whether there are competing technologies. At this stage without a detailed evaluation, based on our own experience, we can say the size of the market for our specialised technologies is substantial, and that we are only "scratching the surface" of potential applications. The expansion of our capacity will allow us to continue with large organic growth for our current operations, as we continue to develop and prove applications.

Approximately 97% of our revenue in FY2011 was from customers in NSW and Queensland, and as previously stated organic growth within these states will continue strongly. Similar markets exist in other resource rich states such as Western Australia and South Australia, as well as globally. We will take advantage of these markets as we grow.

With respect to competing technologies, the answer is that there are several. For example, one competing "technology" is to simply allow the parts to wear and scrap them. If the parts are low cost, and the cost of down-time to replace them is low, this will remain a viable option. However, the increasing cost of raw materials and the energy to produce the components, combined with the enhanced service is moving the balance in LaserBond's favour.

There are also other surface engineering technologies that have some application. Traditional chrome plating and hard-face welding are amongst these. However, the laser cladding and thermal spray technologies used by LaserBond provide measureable and distinct performance advantages over other technologies for many applications, and will allow the substantial growth of LaserBond to continue for the foreseeable future.

Conclusion

The strong growth of LaserBond Ltd will continue, and we look forward to delivering for the benefit of all shareholders.