2018
ANNUAL REPORT

LASERBOND®
PRODUCTIVITY | INNOVATION | CONSERVATION

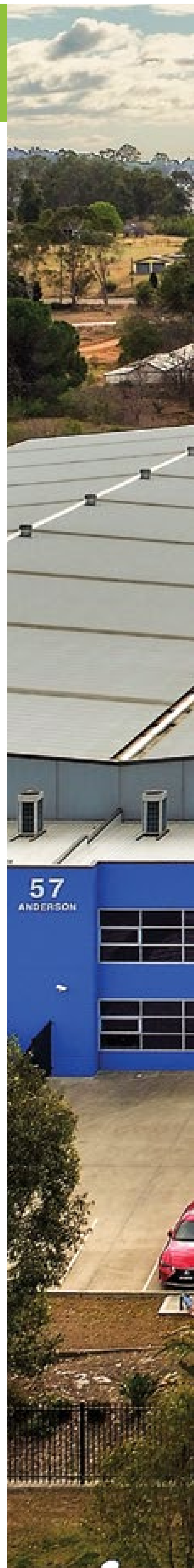
Shareholder's Annual Report
Laserbond Limited ABN 24 057 636 692

Contents

Corporate Directory

Directors:	Mr. Philip Suriano *Chairman / Non-Executive Director*
	Mr. Wayne Hooper *Executive Director*
	Mr. Gregory Hooper *Executive Director*
Company Secretary:	Mr. Matthew Twist
Registered Office, Principal place of business:	2 / 57 Anderson Road SMEATON GRANGE NSW 2567 Phone: +61 2 4631 4500 Fax: +61 2 4631 4555
South Australia Division	112 Levels Road CAVAN SA 5094 Phone: +61 8 8262 2289
Website:	www.laserbond.com.au
Share Registry:	Boardroom Pty Ltd Grosvenor Place Level 12, 225 George Street SYDNEY NSW 2000 Phone: 1300 737 760
Auditor:	LNP Audit and Assurance Level 14, 309 Kent Street SYDNEY NSW 2000
Solicitor:	Legal Vision 67 Fitzroy Street SURRY HILLS NSW 2010
Bankers:	Commonwealth Bank of Australia Corporate Financial Services Sydney South-West Centric Park Central CAMPBELLTOWN NSW 2560
Stock Exchange Listing:	LaserBond Ltd shares are listed on the Australian Securities Exchange (ASX) under LBL.

About Us



LaserBond is a specialist surface engineering company founded in 1992 that focuses on the development and application of materials, technologies and methodologies to increase operating performance and wear life of capital-intensive machinery components.

Within these industries, the wear of components can have a profound effect on the productivity and total cost of ownership of their capital equipment. As almost all components fail at the surface, due to material removal through abrasion, erosion, corrosion, cavitation, heat and impact, and any combinations of these wear mechanisms, a tailored surface metallurgy will extend its life and enhance its performance.

LaserBond recognises that its technology has applications across many industries as more sectors accept that surface engineering technologies can deliver significant cost effective improvements in productivity and/or lower total cost of ownership; mostly in resources and energy, agriculture, advanced manufacturing, defence and infrastructure construction.

Our growth has been built on the pursuit of innovation and technology leadership in three surface engineering foundations;

- The tribology of wear and performance in heavy industrial components.
- Metallurgy and science of high performance materials.
- Optimising a wide range of materials and application methodologies.

This is supported by marketing and sales focus that seeks opportunities offering productivity and sustainable gains;

- Identifying components, equipment or applications that benefit from our technologies.
- Customer partners with established needs and markets.

Our customers are typically internationally recognised Original Equipment Manufacturers (OEMs) and capital-intensive heavy industries that endure high costs whenever their equipment is out of production for maintenance. These customers recognise LaserBond's focus on WH&S, quality assurance, and the environment which is delivered through our certified PAS99 integrated management system.

Other very important areas our customers benefit by utilising our services is in WHS, and the positive contribution to the environment.

WHS benefits are often realised because the maintenance of equipment and replacement of worn parts is often carried out in potentially hazardous environments (e.g. on mine sites) and/or involves handling of difficult and heavy components. Many of our customers recognise that by reducing the frequency of required maintenance, the utilisation of LaserBond's services significantly lowers the risk of injury to personnel.

Environmental benefits arise from LaserBond's ability to remanufacture and provide performance improvements to machine parts that would have typically been scrapped and replaced with new parts. The typical carbon footprint for a LaserBond remanufactured part is less than 1% of a new part, and with life improvements of between 2 to 20 times of a standard part, a carbon footprint of much less than 1% is achieved.

LaserBond operates from facilities in New South Wales and South Australia.

Road Header Mining Boom reclamation with LaserBond® cladding. Road headers are flexible rock cutting machines, used to cut soft to medium rock formations.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Chairman's Letter

Dear Shareholder,
As reported in the half yearly results our Services & Products Divisions continued to increase revenue in-line with the company's forecast.

On behalf of the Board I am pleased to present the Annual Financial Report to 30th June 2018. Given the amount of investment over the course of the year growing our resources and workforce, we are extremely pleased that we were able to deliver a solid performance for the year.

	30 June 2018		30 June 2017
Revenues	$15.648 M	Up 13.8% from	$13.751 M
Services Division	$10.040 M	Up 38.7 % from	$7.237 M
Products Division	$5.608 M	Up 10.5% from	$5.076 M
Technology Division	$0	No FY2018 Revenue	$1.438 M
EBITDA	$2.223 M	Down 9.2% from	$2.449 M
EBITDA (before Impairment) [1]	$2.505 M	Up 2.2% from	$2.449 M
NPAT	$0.968 M	Down 13.0% from	$1.113 M
NPAT (before Impairment) [1]	$1.249 M	Up 12.3% from	$1.113 M
Earnings per share (cents)	1.04 c	Down 14.8% from	1.22 c
EPS (before Impairment) [1]	1.34 c	Up 9.8% from	1.22 c

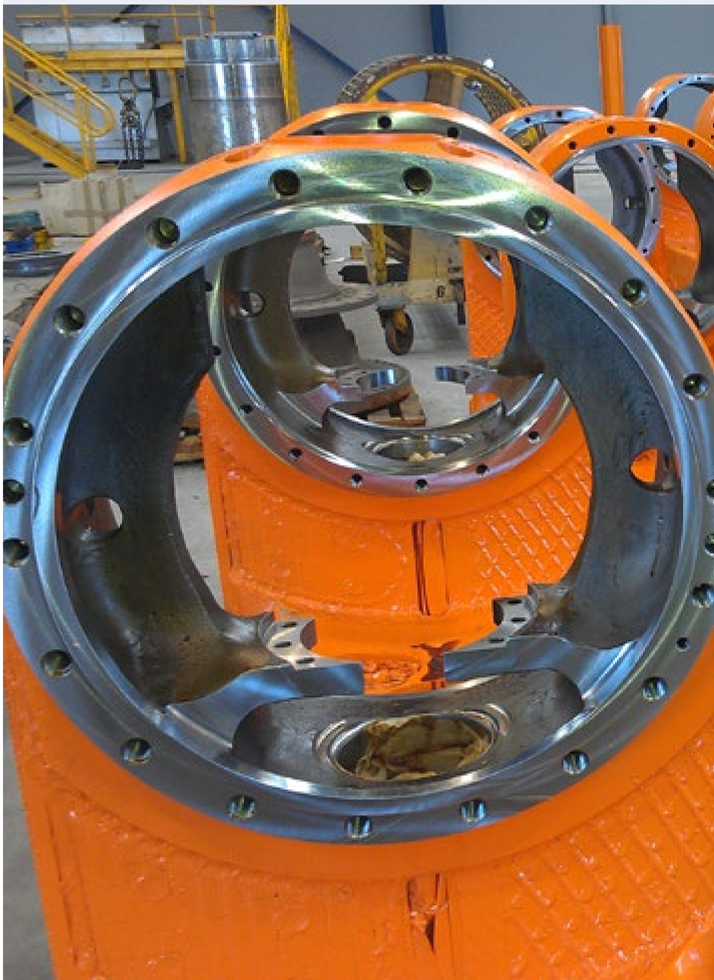
[1]The Board has taken a prudent approach to take an impairment by writing down some stock. Please refer to the Directors Report for more details.

All three Divisions this fiscal year are forecast to increase revenue. As at the date of this report we are pleased to report that our FY2019 forecasts are on track.

Our Technology Division, having sold its second technology license in August 2018, is actively working through its production process to achieve delivery and revenue recognition in FY19. This is particularly pleasing result for two reasons; the licensee is a major multi-billion dollar global engineering company that has recognised LaserBond is a world leader in this field; and it provides further support to demonstrate that one aspect of the company's current strategy for international expansion of its technology is working. The license will deliver ongoing revenue and profit for the license term of 7 years, and will likely lead to further Technology Division sales to the licensee in the future.

Our R&D Division continues its collaborative work with its partners; the University of SA and Boart Longyear on the development & commercialisation of high wear life components in drilling for mining via the Wear Life Performance (CRCp project). In addition LaserBond is participating as a core industry partner with the ARC funded Surface Engineering for Advanced Materials (SEAM) training centre, in conjunction with Swinburne University, University of SA and RMIT as well as other industry partners.

Both the Services and Production Divisions are benefiting from the buoyant mining sector. As the mining sector continues to be a major source of work for both divisions an increased level of activity directly impacts our revenue. We expect to see many customers seeking our services as they both ramp up production and play catch up on their maintenance programs.



The outlook for Laserbond in 2018/19 and beyond is very positive with several key strategic actions and expectations:

- Ongoing organic growth of our Products & Services Divisions at levels similar to those achieved in FY18 but with an expected return to the higher historical gross profits and EBITDA percentages.
- Growth in the Technology Division as we leverage recent successes.
- Appointment of an International Sales BDM to expand our market place by taking our successful proprietary products to much larger markets.
- Expansion through acquisition – several targets identified that will add immediate accretive value if negotiations are successful.
- Grow our senior management/executives.

The Board also recognises the need to be continually developing a skilled work force and are committed to bring on new apprentices, trainees and graduates that we can train for future management, operations and application of our technology.

Given the increased opportunities that we have been developing, the positive growth outlook for the coming years and taking into account performance achieved, the Board has decided to increase its full year dividends to a total of 0.6 cps for FY18.

Success is delivered by a skilled and dedicated team and the board would like to take this opportunity in thanking our staff, management and executives for creating an environment that has fostered this success. We thank all those who support the vision and our Board.

Yours sincerely

Philip Suriano
Chairman
LaserBond Limited

Directors' Report

The Directors present their report together with the financial statements of LaserBond Limited for the financial year ended 30th June 2018.

Principal Activity

LaserBond is a specialist surface engineering company founded in 1992 that focuses on the development and application of materials, technologies and methodologies to increase operating performance and wear life of capital-intensive machinery components.

LaserBond operates from facilities in New South Wales and South Australia.

Review of Operations & Financial Results

The 2018 fiscal year has been a year of investment in order to deliver on planned growth, focused on:

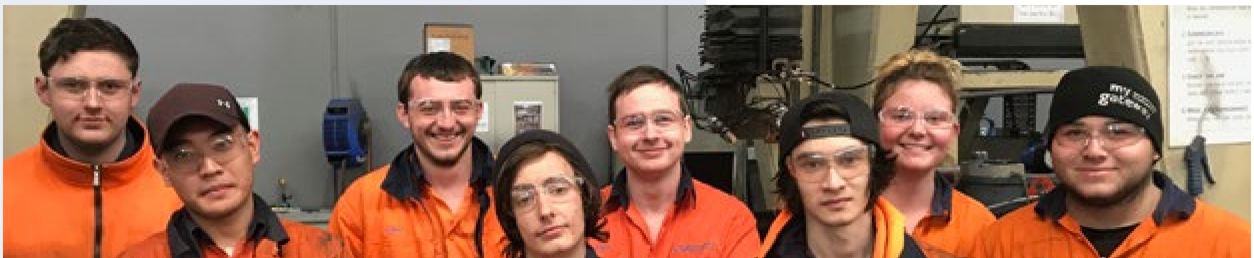
1. Increasing skill and capabilities, through recruitment and training.
2. Increasing capacity and capabilities, through investment in plant and equipment at both facilities.
3. Continued growth, through our on-going research and development activities.

SKILL AND CAPABILITIES

As at 30 June 2018 our workforce has increased to seventy employees, a 40% increase in human resources during the financial year. After the initial temporary impact from recruitment costs and training (prior to a shop floor employee generating revenue) and overtime (long term shop floor employees rising to the challenge from the revenue growth and the timing of initial recruitment and training activities) our gross profits increased from 45% in the first half of the financial year to 48% in the second half (before inventory impairment).

This investment in people will continue throughout the 2019 financial year, with the intent to have a more fully manned afternoon shift at our New South Wales facility both increasing capacity and reducing the burden of overtime, and increasing capabilities within our South Australian facility.

Despite the plan for continued human resources investment, our gross profit results are expected to continue to improve to historical gross profit percentages.



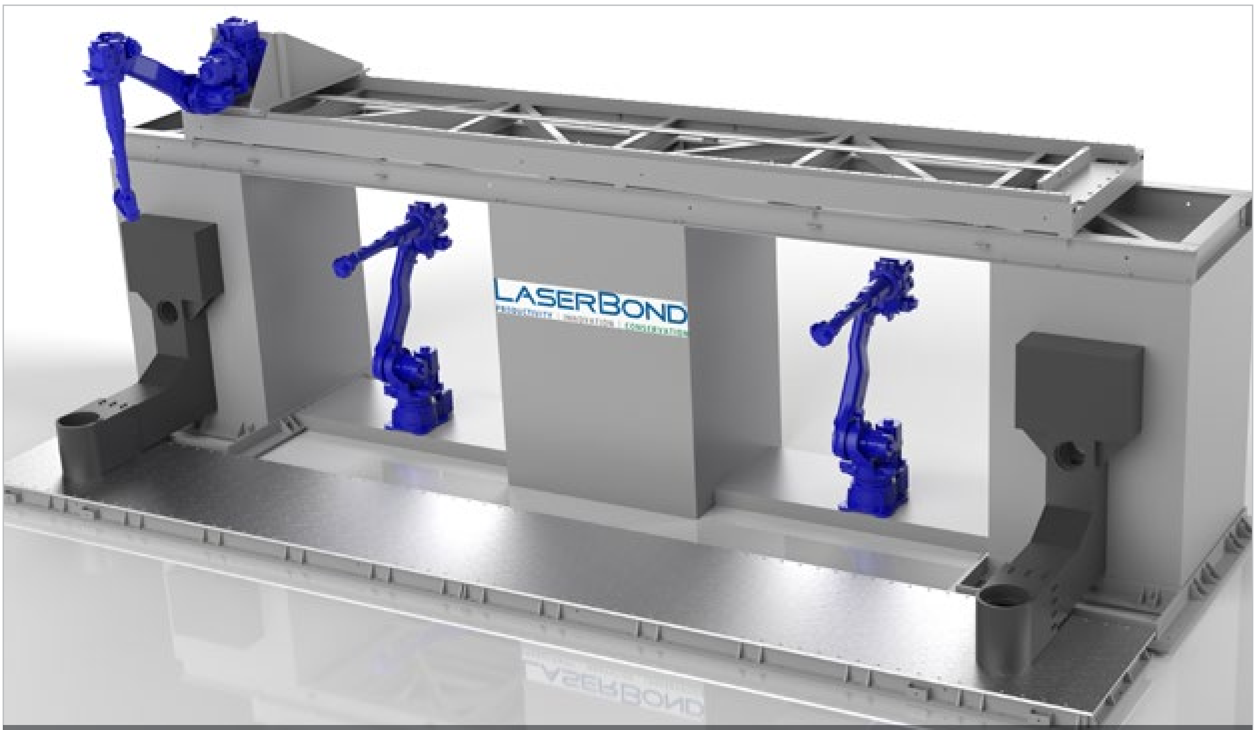
Hands on training of our apprentices is crucial for our future growth.

Laserbond's new large capacity cylindrical grinder – 5 metres between centres, 1.25 metre swing, 5.5 tonne capacity.

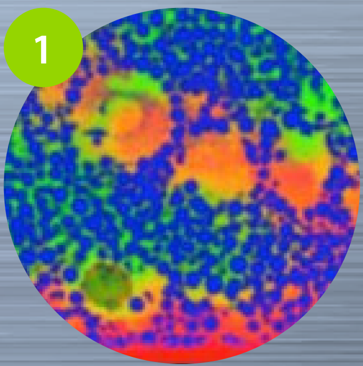
CAPACITY AND CAPABILITIES

Both facilities have invested in equipment to increase capacity and capabilities. Some of the major equipment investment includes:

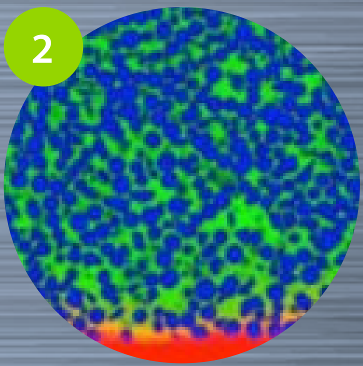
1. Additional large capacity cylindrical grinding machines.
2. Additional large cylindrical lathes increasing our capacity.
3. High Velocity Air Fuel (HVAF) thermal spray system increasing capacity and capability and providing higher energy efficiencies, lower temperatures and reduced particle sizes.
4. Large capacity horizontal borer expected to be commissioned in South Australia in September 2018.
5. Continued development of the automated laser cladding system, planned through the Next Generation Manufacturing Improvement program, expecting full commissioning by April 2019, however this investment is progressive and over the last few months is now providing significant operational improvements in our South Australian facility, thus increasing recent production output.



Concept of automated LaserBond laser cladding cell being commissioned.



1) - Normal laser cladding process creates deeper heat affects which embed within the cladding to reduce performance.



2) - New Laserbond Deposition Technology shows the metallugical bond without dilution effects and higher concentration.

RESEARCH AND DEVELOPMENT ACTIVITIES

Our R&D efforts continue to improve upon our deposition methodologies and materials.

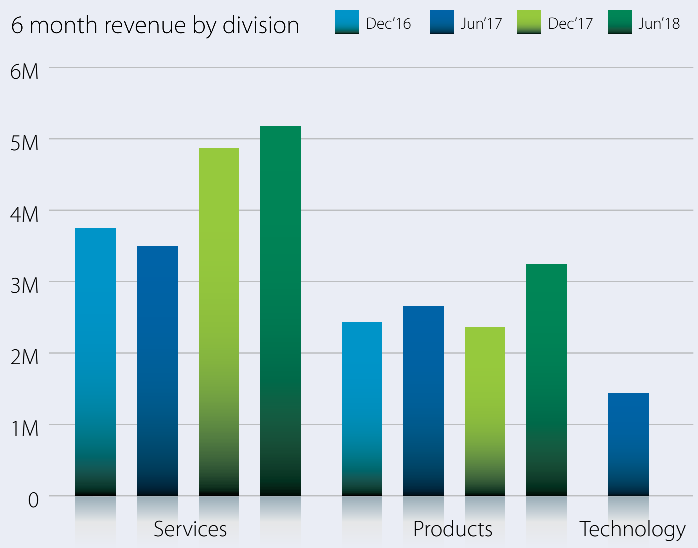
Dramatic improvements in production cycles are being realised with our new 16kW Laser.

We have had very successful trials over the last 18 months of a new LaserBond® product for the Steel Industry. A life improvement of greater than 15 times is being realised by our Australian customer when using the Laserbond® product. This consumable product is applicable in Steel Mills worldwide, and we are now in supply discussions with a major international steel producer in the US.

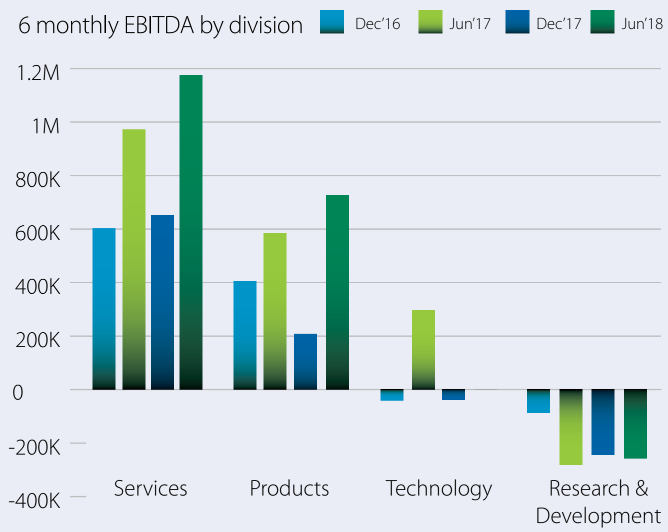
Our collaborative work with the University of South Australia and Boart Longyear through the CRC-P is continuing with a number of applications having commercial possibilities.

Additionally, and as announced our R&D department has secured an Industrial Partner position within the Australian Research Council funded Training Centre in "Surface Engineering for Advanced Materials (SEAM)", and are looking forward to working collaboratively with the best Academic and Industrial minds we have to achieve the projects vision.

Results by Reportable Segments



- Revenue from operations was $15.648 million, up by 13.8% on FY2017.
- Services Division achieved revenue of $10.040 million, up 38.7% on FY2017.
- Products Division achieved revenue of $5.608 million, up 10.5% on FY2017.
- Technology Division reports no revenue for FY2018, after achieving in FY2017 its first sale of $1.438 million.



- EBITDA from operations was $2.223 million, down by <9.2%> on FY2017.
- Services Division achieved EBITDA of $1.827 million, up 16.1% on FY2017.
- Products Division, after the impact of an inventory impairment of <$0.282 million>, achieved EBITDA of $0.935 million, down by <5.5%> on FY2017.
- Technology Division achieved a small loss, after reporting EBITDA of $0.255 million in FY2017 after the first sale.

Explanation of Results

SERVICES DIVISION

The Services division achieved revenue for FY2018 of $10.040 million representing 38.7% growth on FY2017 revenue of $7.237 million. The second half of FY2018 reported an increase in revenue from the first half, directly related to delays due to the need for recruitment and training of new staff in the first half. The NSW facility represents 89% of this revenue based on its long standing surface engineering repair and reclamation business. Most of South Australia's revenue is from the sale of products, however this facility achieved a 101.7% increase in services revenue based on sales strategies developed for growth in services.

This division reports a $1.827 million EBITDA, representing a 16.1% growth on FY2017 EBITDA of $1.573 million.

The Services division continues to expect growth in revenue at similar rates, largely based on increasing demand from a growing customer base and the increasing capacity and capabilities from investment in resources (human and equipment).

PRODUCTS DIVISION

The Products division achieved revenue for FY2018 of $5.608 million representing a 10.5% growth on FY2017 revenue of $5.076 million. The focus of the South Australian facilities has been on products, and represents 48% of this revenue. The balance of 52% is generated from contract manufacturing of products for long standing original equipment manufacturers. Growth in products revenue is expected to grow largely in South Australia due to the increasing investment in resources (largely equipment) and the improved output due to the upgrading to the automated laser cladding system.

During FY2018 the Products Division incurred an impairment of $281,624 on slow moving inventory items. Refer to the Inventory Impairment commentary on page 13 for more details.

The underlying EBITDA (prior to impairment) was $1.217m representing a 23% increase on FY2017 EBITDA of $0.989m. After the impairment, Products Division achieved $0.935 million EBITDA. During FY2018 margins on products division work has been affected by the investment in human resources (training impact particularly coming up to speed with machining of our surface engineering applications) and the short term reduced production output impact from the implementation of the automated laser cladding system in South Australia.

The Products Division is expected to continue to provide the most revenue growth for the business.

Our first LaserBond laser cladding cell commissioned in China through the Technology division.

TECHNOLOGY DIVISION

In the 4th quarter of FY2017, LaserBond delivered its first Technology Division sale to a mineral processing equipment repairer in China which intends to utilise laser cladding in its reclamation activities. The training and support will continue over a five year period from commissioning on the licensee's premises in return for licensing fees, but due to delays in completion of the licensee's premises with an adequate power supply. The equipment is now fully installed, commissioned and operating for license fee returns commencing in FY2019.

In August 2018, the Technology Division secured the sale of a second technology license to a multi-billion dollar global manufacturer that will utilise LaserBond's technology in its product offerings for improved market differentiation. This will alone provide double digit increase in revenue in FY2019 over FY2018 with associated increase in profits. License fees and consumable sales will be derived over a 7 year license term.

LaserBond has signed an agreement with a third party to support the identification and qualification process for further technology sales. There have been a number of enquiries that are being actively pursued.

LaserBond's aim is to provide continued revenue from the Technology Division in the form of the continuing licensing fees, consumables and new technology sales.

Research & Development

LaserBond is committed to ongoing expenditure in Research & Development to improve and maintain its market leading position. This division reports an EBITDA loss of $500,513. Net costs against R&D increased by over 36% due to the necessary continued research into new products and / or applications crucial for LaserBond's continuing growth. For further information refer to the commentary on R&D Activities on page 11 of this Directors' Report.

Inventory Impairment

The ongoing commercialisation of the technology we have developed and continue to develop for the Down-the-Hole (DTH) hammers and other drilling consumables is the subject of the CRCp program in conjunction with our partners Boart Longyear and the University of SA. The project is proceeding well and will deliver very positive results for the company in the future. However, as noted within our December 2017 half year report, at the time of launch of our Down-the-Hole (DTH) hammers a marketing campaign provided information related to the type and size of hammers and consumables used by potential customers. Since this campaign a number of stocked consumables, particularly bits, have not been sold to customers.

As at the date of this report, discussions are in progress with the original supplier of DTH hammers for potential buyback options. Taking a prudent approach, the Board has written down DTH hammer and consumables amounting to $281,624 as at 30 June 2018.

Outlook

During FY2019 LaserBond is targeting continued double digit revenue growth from the Services & Products divisions in addition to already reported increases in revenue from the Technology division, whilst retaining historical gross profit rates. This is expected to reflect in significant increases in net profit. There will be continued investment in resources (human and equipment) as well as research and development to deliver future growth.

Further, the Board is implementing a strategic plan aiming to achieve $40 million revenue within four years. This plan focuses largely on:

1. Organisational Structure
   The development of a structure that provides a successful management team, scaled for growth and reducing reliance on the current Executive Directors for operational matters.

2. Capacity & Capabilities
   Increasing capacity and capabilities of all facilities, including through an improved shop floor shift structure to increase capacity and reduce the burden on select skilled staff, process optimisation to increase machine uptime and effectiveness, and a focus on the ongoing increasing of skill and capabilities of operational staff.

3. Growth Options

A focus on international business development, including through both Technology Licensing and maximising the potential and return of opportunities with global customers within the Products and Services divisions.

4. Investment

A focus on continued investment in resources (human and equipment) and growth through acquisitions or development of further "greenfield" sites in strategic domestic and/or international locations.

Directors and Company Secretary

Details of the company's Directors during the financial year and up to the date of the report are as follows (Directors have been in office for the entire period unless otherwise stated):

Director:	Position Held	In Office Since	Ceased to Hold Office
Wayne Hooper	Executive Director	21 April 1994	
Gregory Hooper	Executive Director	30 September 1992	
Allan Morton	Non-Executive Chairperson	18 March 2014	4th October 2017
Philip Suriano	Chairperson / Non-Executive Director	6 May 2008	
Matthew Twist	Company Secretary	30 March 2009	

Information on Directors and Company Secretary (currently holding office)

Wayne Hooper GAICD – *Chief Executive Officer, Audit and Risk committee member*

Wayne is a professional engineer with significant technical and management experience within the surface engineering, general engineering and manufacturing industries. His engineering experience includes design, maintenance and project management. He started his career within the electricity generation industry, followed by high volume manufacturing. Prior to joining the company in 1994, Wayne also held senior roles in marketing within the building products industry. Wayne holds degrees in Science, Engineering (Honours Class 1) and an MBA.

Gregory Hooper – *Chief Technology Officer*

Gregory has a mechanical engineering background with over 35 years of hands on experience, as well as sales and management experience in the engineering, metallurgy, welding and thermal spray industries. Before founding Laserbond® Gregory held key positions with multinational surface engineering equipment and specialty welding consumable manufacturers. Gregory founded the Company with his parents in 1992, and has been responsible for the research, integration and development of the company's materials and Thermal Spray and LaserBond® cladding processes. Gregory's responsibility as CTO is the general management and overseeing of Workshop, Technology, and Research and Development management within the group, as well as working closely with his brother (CEO), the board, and the rest of the Laserbond team to deliver on the goals targeted.

Philip Suriano GAICD – *Chairman / Non-Executive Director, Audit and Remuneration committee member*

Philip has been a Director since 2008. He began his career in corporate banking with the State Bank of Victoria (Commonwealth Bank). He holds a degree in banking & finance (B.Bus. (Bkg & Fin)). He spent 16 years in senior positions within the Australian Media Industry. Philip has gained wide knowledge & experience to give him a strong background in operations, sales and marketing in such roles as National Sales Director, MCN (Austar and Foxtel TV sales JV) and Group Sales Manager at Network Ten. Prior to joining MCN, Philip was employed within the Victor Smorgon Group. For the past 14 years he has been working in corporate finance.

Matthew Twist GIA (Cert) – *Company Secretary, and Risk committee member*

Matthew Twist has over 20 years financial management experience, encompassing financial and operational control and systems development in manufacturing companies. Matthew has been the company's Chief Financial Officer since March 2007, and was appointed Company Secretary on 30 March 2009. Matthew has a Certificate in Governance Practice, and is a certificated member of the Governance Institute of Australia.

Remuneration Report

The directors present the LaserBond Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report.
(b) Remuneration policy and link to performance
(c) Link between remuneration and performance
(d) KMP remuneration
(e) Contractual arrangements for executive KMP's
(f) Non-executive director arrangements

(a) Key management personnel (KMP) covered in this report

All directors of the company and the Company Secretary are considered as key management personnel (KMP's) for the management of its affairs, and are covered by this report.

(b) Remuneration policy and link to performance

Remuneration levels for KMP's are competitively set to attract, motivate and retain appropriately qualified and experienced personnel. Remuneration levels are reviewed annually by the Board through the Remuneration Committee including a reference to the company's performance.

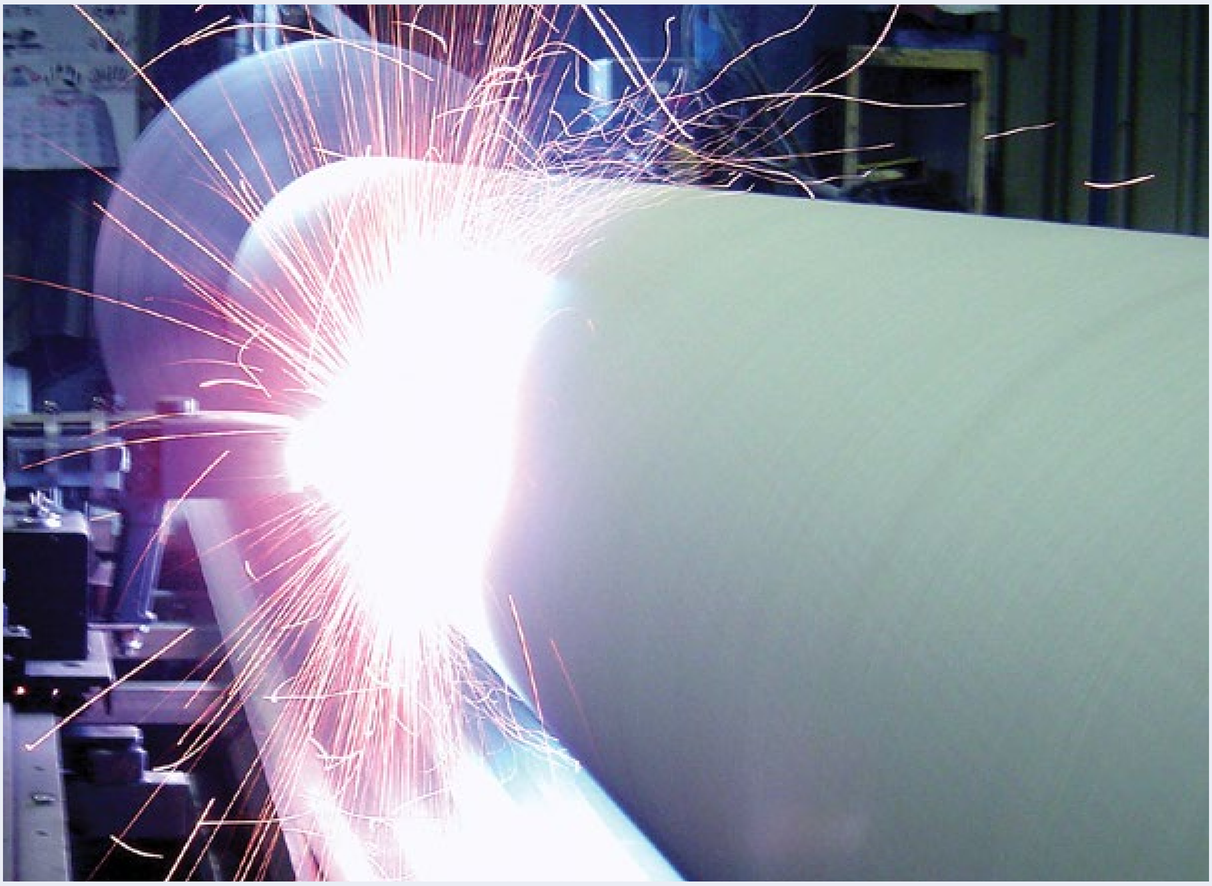
The remuneration policy attempts to align reward with the achievement of strategic objectives and the creation of value for shareholders. Please refer to the Corporate Governance Statement on our website, http://www.laserbond.com.au/investor-relations/governance-statement.html, for details.

(c) Link between remuneration and performance

The company has performance based bonuses for executive directors and additional non-cash (equity based) payments for non-executive directors who hold office for the full twelve months of a fiscal year. During the current financial year, one non-executive director received non-cash (equity based) payments amounting to $12,500.

Executive Director's performance based bonuses are subject to the achievement of set key performance indicators, reviewed annually by the Remuneration Committee.

Non-cash (equity based) payments for non-executive directors are reviewed annually by the Board and are subject to shareholder approval prior to issue at the next Annual (or Extraordinary) General Meeting. Further detail can be found under Note 21 b) on Page 42.



Remuneration Report (continued)

The following table shows the gross revenue, profits and dividends for the last five years for the group as well as the share prices at the end of the respective financial years.

	2018	2017	2016	2015	2014
	$	$	$	$	$
Revenue	15,648,146	13,751,417	10,515,581	9,546,595	9,669,960
Net Profit after Tax	967,749	1,112,892	78,745	366,766	660,944
Share price at year end (Cents)	12.50	12.50	8.10	13.00	8.70
Dividends paid (Cents)	0.5	0.4	0.4	0.4	0.4

(d) KMP Remuneration

The following table shows details of the remuneration expense recognised for the company Key Management Personnel for the current and previous financial year.

KMP's received a fixed remuneration in the year ended 30 June 2017 and 30 June 2018

		Salaries and fees	Superannuation	Share based payments	Long Service Leave
Wayne Hooper[1]	2018	308,650	46,650	-	-
	2017	305,671	39,651	-	-
Gregory Hooper[1]	2018	308,335	29,031	-	-
	2017	302,927	28,840	-	3,868
Philip Suriano[2]	2018	28,750	-	12,500	
	2017	25,000	-	20,250	-
Allan Morton[3]	2018	5,000	-	-	-
	2017	30,000	-	20,250	-
Matthew Twist	2018	151,653	14,273	1,000	-
	2017	143,098	13,462	1,000	-
Totals	2018	**802,388**	**89,954**	**13,500**	**-**
	2017	**806,696**	**81,953**	**41,500**	**3,868**

[1] Wayne and Gregory Hooper's remuneration is inclusive of their spouse's remuneration for any period they were actively employed by the company. Note 16 a) on Page 39 reports all remuneration through payroll for all relatives of executive directors, including spouses.

[2] Philip Suriano's remuneration includes only fees related to their non-executive director remuneration. Any additional consulting fees related to support of executive functions in reported within Note 16 b) on Pages 39 to 40.

[3] Alan Morton resigned on 4 October 2017.

Remuneration Report (continued)

(e) Contractual arrangements for executive KMP's

KMP's who are active employees of the company are hired following current human resources policies and procedures, and each are required to have employment contracts, job descriptions and key performance indicators relevant to their roles and responsibilities.

(f) Non-executive director arrangements

Non-executive directors are employed based on the company's commitment to develop a Board with a blend of skills, experience and attributes appropriate for the business' goals and strategic plans.

If a non-executive director holds their Board position for the full twelve months of each reporting period they may be eligible for non-cash benefits of a fixed quantity of LaserBond shares reviewed annually by the Board. The Board has not agreed on the volume of shares to be issued to Philip Suriano at the time of lodgement of this report. Any issue is subject to shareholder approval with the price based on the closing share price on the day of approval.

(g) Shares held by key management personnel

The number of ordinary shares in the company during the 2018 financial year held by each of the company's key management personnel, including their related parties, is set out below:

	Balance at 30 June 2017	Granted as remuneration	Other changes	Balance at 30 June 2018
Wayne Hooper	10,200,206	-	369,587	10,569,793
Gregory Hooper	9,191,551	-	385,308	9,576,859
Philip Suriano	439,296	100,000	5,835	545,131
Allan Morton[1]	1,454,964	-	-	1,454,964[2]
Matthew Twist	56,554	9,154	-	65,708

[1] Allan Morton resigned on 4 October 2017.
[2] These were the amount of shares held at the date of Allan Morton's resignation.

End of remuneration report.

Director's Meetings

During the financial year ended 30th June 2018, the number of meetings held, and attended, by each Director were as follows:

Director	Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Wayne Hooper	8	8	1	1	-	-
Gregory Hooper	8	7	-	-	-	-
Allan Morton[1]	5	4	-	-	-	-
Philip Suriano	8	8	2	2	1	1

[1] Allan Morton resigned on 4 October 2017

Please refer to the Corporate Governance Statement at http://www.laserbond.com.au/investor-relations/governance-statement.html for further information.

Significant Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

Future Developments

Any future developments required to be disclosed as per ASX Listings Rules have either been disclosed previously or are included in commentary or notes to this report. Any future items requiring to be disclosed will be disclosed according to recent listing rules.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Matters Subsequent to the End of the Financial Year

a) DIVIDENDS

2017 final dividends of 0.3 cents per share and 2018 interim dividends of 0.2 cents per share were paid during the year. The directors have recommended the payment of a final dividend for FY2018 of 0.4 cents per fully-paid ordinary share (FY2017: 0.3c), fully franked based on tax paid at 30%. The dividend is expected to be paid on 12th October 2018.

Subject to the company continuing to develop in accordance with future plans, the Board expects to continue to maintain future dividends.

b) TECHNOLOGY LICENSE AGREEMENT

LaserBond has signed its second Technology License Agreement, this time with a UK based multinational engineering company. The agreement involves the supply of a LaserBond® designed and constructed laser cladding system, ongoing training and support and consumable sales. This agreement will yield an increase in revenue this financial year by more than 10% year on year with associated overhead recovery and increase in profits. Revenue in future years will include ongoing royalty fees over a seven year license term as well as consumable sales.

Directors' and Auditors' Information

Insurance premiums of $20,714 have been paid to insure a Director's legal liability to third parties for alleged breach of duty arising out of a claim for which the Director is not indemnified by the corporation. No insurance premiums have been paid in respect of Auditors.

Non-Audit Fees paid to Auditor

During the financial year, there have been no fees paid to LNP Audit and Assurance for non-audit services.

Auditors' Independence Declaration

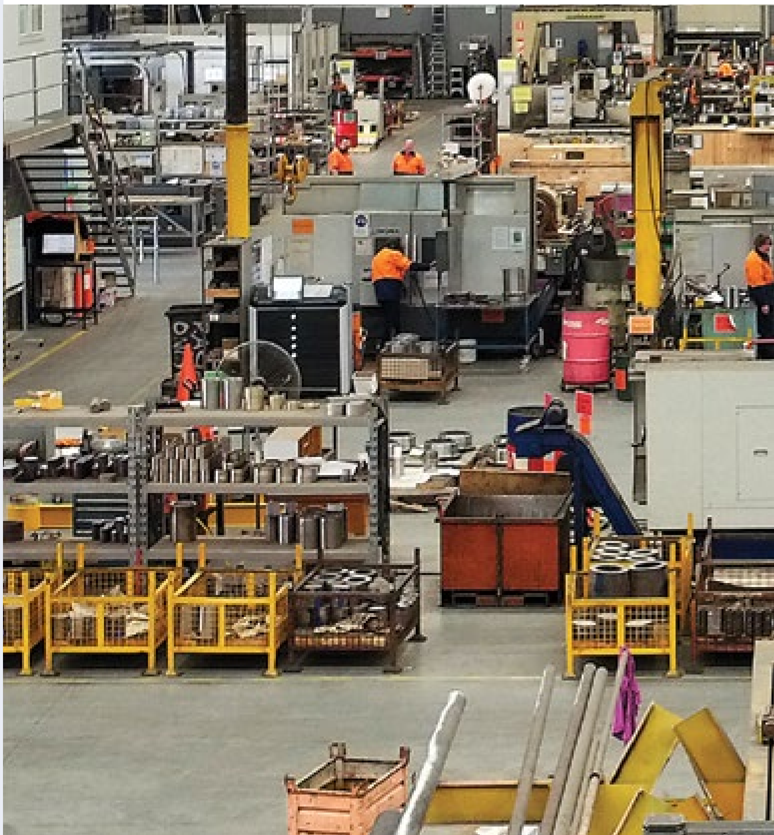
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

Signed in accordance with a resolution of the Board of Directors.

Director
Wayne Hooper

Director
Gregory Hooper

Dated this 27th day of August 2018



Directors' Declaration

Corporate Governance

The directors of the company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. A review of the company's corporate governance practices was undertaken during the year. As a result new practices were adopted and existing practices optimised to reflect industry best practice.

Please refer to the Corporate Governance Statement at: http://www.laserbond.com.au/investor-relations/governance-statement.html

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 25 to 44 are in accordance with the Corporations Act 2001 and:
   a. Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. Give a true and fair view of the financial position as at 30th June 2018 and of the performance for the financial year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

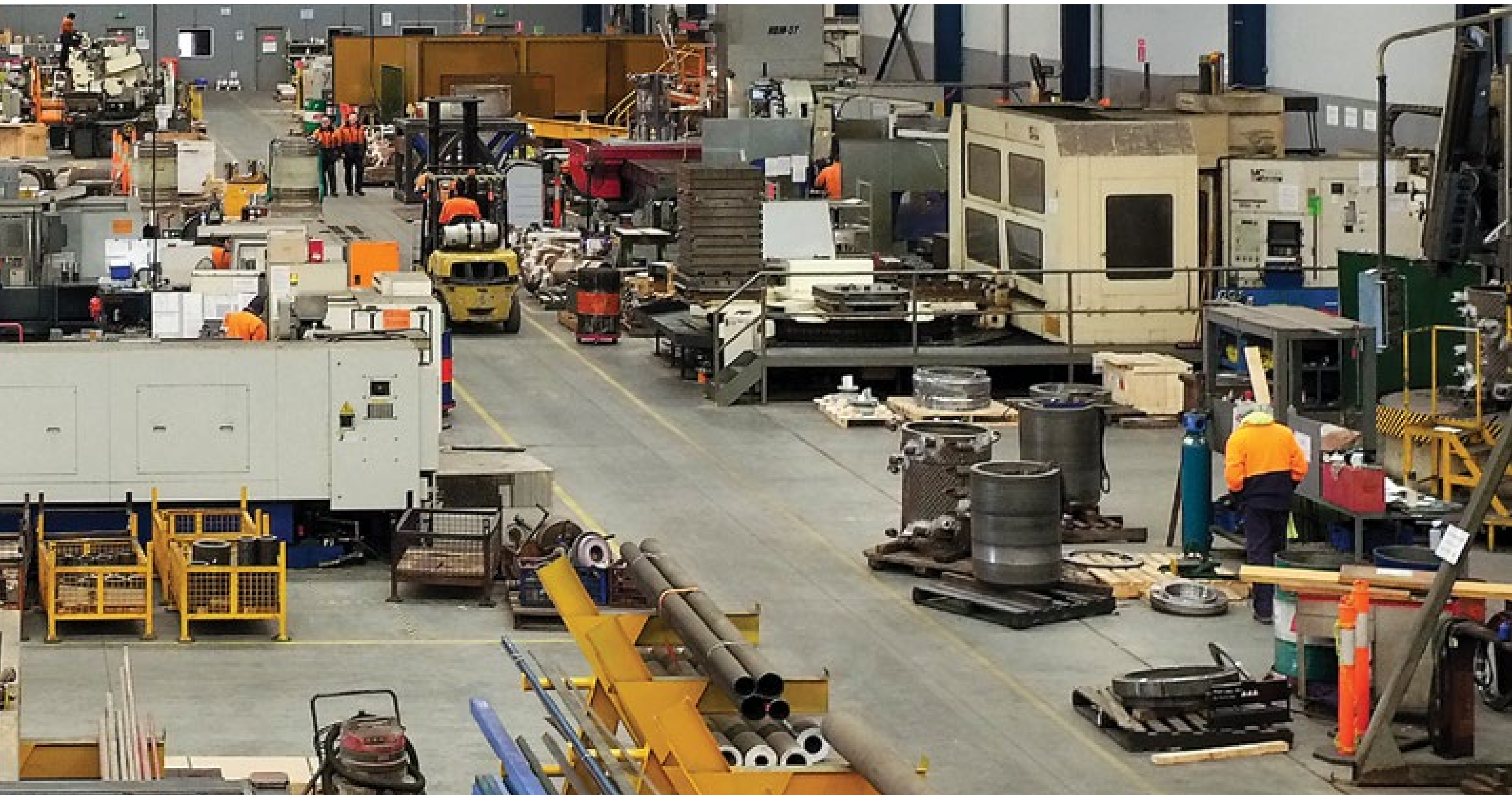
The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

Director
Wayne Hooper

Director
Gregory Hooper

Dated this 27th day of August 2018 in Sydney.



LNP Audit and Assurance

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF LASERBOND LIMITED

As lead auditor of Laserbond Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Laserbond Limited during the financial year.

LNP Audit and Assurance

Anthony Rose
Director

Sydney, 27 August 2018

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF LASERBOND LIMITED

Opinion

We have audited the financial report of Laserbond Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company.

In our opinion:

the accompanying financial report of Laserbond Limited is in accordance with the Corporations Act 2001, including:

a) Giving a true and fair view of the company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
b) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key Audit Matter	How our audit addressed the matter
Carrying value of inventory *Refer Note 8 – inventory* The company holds significant inventories. The carrying value of inventory is by its nature judgemental and based on many assumptions, influenced by expected future market demand, raw materials expected to be required, and other uncertain matters.	Our procedures included, among others: • Evaluating management's strategy and plan for developing, producing and realising inventory • Assessing the company's impairment policy • Assessing and testing the inventory and evaluating the recoverable value of these products.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.
- We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- We are also required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 15 to 17 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Laserbond Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

The engagement partner on the audit resulting in this independent auditor’s report is Anthony Rose.

LNP Audit and Assurance

Anthony Rose
Director
Sydney, 27 August 2018

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30th June 2018

	Note	2018	2017
		$	$
Revenue from continuing operations	23	15,648,146	13,751,417
Cost of Sales		(8,404,424)	(6,565,425)
Inventory Impairment	8	(281,624)	-
Gross Profit from continuing operations		**6,962,098**	**7,185,992**
Other Income	3	665,418	292,251
Advertising & Promotional Expenses		(162,208)	(216,969)
Depreciation & Amortisation		(717,499)	(867,406)
Employment Expenses		(2,071,643)	(1,836,564)
Property Expenses		(730,733)	(693,987)
Administration Expenses		(1,550,776)	(1,493,428)
Repairs & Maintenance		(163,085)	(129,537)
Equipment Lease Expenses		(25,180)	(42,913)
Finance Costs		(110,774)	(77,804)
Research & Development		(470,091)	(447,849)
Other Expenses		(223,334)	(161,069)
Profit before income tax expense from continuing operations	4, 23	**1,402,193**	**1,510,717**
Income tax expense	5, 23	(434,444)	(397,825)
Profit after income tax expense from continuing operations		**967,749**	**1,112,892**
Other comprehensive income		-	-
Total comprehensive income attributable to members of LaserBond Limited		**967,749**	**1,112,892**

Earnings per share for profit attributable to members:

	Note	2018	2017
Basic and diluted earnings per share (cents)	6	1.040	1.221

This *Statement of Profit or Loss and Other Comprehensive Income* should be read in conjunction with the accompanying notes.

Statement of Financial Position
As at 30th June 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents		1,379,062	2,011,636
Trade and other receivables	7	5,362,441	4,054,013
Inventories	8	2,487,605	1,785,317
Total current assets		**9,229,108**	**7,850,966**
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,086,473	2,537,510
Deferred tax assets	11	288,040	233,137
Intangible assets	10	23,387	5,988
Total non-current assets		**3,397,900**	**2,776,635**
TOTAL ASSETS		**12,627,008**	**10,627,601**
CURRENT LIABILITIES			
Trade and other payables	12	1,867,497	1,445,396
Employee Benefits		792,429	630,591
Financial liabilities		441,988	363,173
Current Tax Liabilities		225,832	105,051
Total current liabilities		**3,327,746**	**2,544,211**
NON-CURRENT LIABILITIES			
Financial liabilities		1,480,879	991,394
Employee Benefits		43,386	46,779
Total non-current liabilities		**1,524,265**	**1,038,173**
TOTAL LIABILITIES		**4,852,011**	**3,582,384**
NET ASSETS		**7,774,997**	**7,045,217**
EQUITY			
Issued capital	13	6,406,948	6,186,816
Retained earnings		1,368,049	858,401
TOTAL EQUITY		**7,774,997**	**7,045,217**

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the Year Ended 30th June 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		18,906,545	15,414,775
Payments to suppliers and employees		(18,043,530)	(13,165,820)
Interest paid		(110,774)	(77,804)
Interest received		7,190	7,308
Income taxes paid		(372,589)	(203,108)
Net cash inflow from operating activities	19	**386,842**	**1,975,351**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(273,216)	(102,250)
Proceeds from sale of plant and equipment		-	11,846
Repayments of loans to employees		(25,400)	(37,580)
Net cash outflow from investing activities		**(298,616)**	**(127,984)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share issue costs		(12,784)	(8,750)
Payments for financial leases		(455,660)	(396,841)
Dividends paid		(252,356)	(198,181)
Net cash outflow from financing activities		**(720,800)**	**(603,772)**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(632,574)	1,243,595
Cash and cash equivalents at beginning of period		2,011,636	768,041
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,379,062**	**2,011,636**

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the Year Ended 30th June 2018

	Issued capital $	Retained earnings $	Total equity $
Opening Balance at 1st July 2016	**5,985,756**	**105,322**	**6,091,078**
Profit for the year	-	1,112,892	1,112,892
Issue of Share Capital, net of cost	201,060	-	201,060
Dividends paid during the year	-	(359,813)	(359,813)
Closing Balance at 30th June 2017	**6,186,816**	**858,401**	**7,045,217**
Profit for the year	-	967,749	967,749
Issue of Share Capital. net of cost	220,132	-	220,132
Dividends Paid during the year	-	(458,101)	(458,101)
Closing Balance at 30th June 2018	**6,406,948**	**1,368,049**	**7,774,997**

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Corporate Information
LaserBond Limited is a for-profit listed public company, incorporated and domiciled in Australia. The company specialises in developing technologies and implementing its metal cladding methodologies to increase operating performance and wear life of capital -intensive machinery component.

General Information and Statement of compliance
The financial report was authorised for issue in accordance with a resolution of the directors on 27th August 2018. These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations and the Corporations Act 2001, and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The financial report has been prepared on an accruals basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

Revenue arises from sale of products and services. It is measures with reference to the fair value of the consideration received or receivable. Revenue is recognised in the following manner:

Sale of Goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods. Revenue from sale of good with no significant service obligation is recognised on delivery.

Interest

Revenue from interest is recognised on accrual basis.

Other Income

Revenue from other income streams is recognised when the company receives it or as an accrual if the group are aware of the entitlement to the other income.

b) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board.

c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting or taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Foreign Currency Translation

The functional and presentation currency of the company is Australian dollars. Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except for differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

e) Comparative Information

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current year accounting policy and disclosures. If there are any such changes, details on the nature and reason for the amounts that may have been reclassified and repositioned for consistency with current year accounting policy and disclosures, where considered material, are referred to separately in the financial statements or notes thereto.

f) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

g) Financial Instruments

Financial assets

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial liabilities

Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "interest paid". Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired

The company's financial liabilities include trade and other payables including finance lease liabilities, which are measured at amortised cost using the effective interest rate method. Trade and other payables represent liabilities for goods and services provided to the company prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition.

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days from date of invoice.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Subsequent Measurement

Loans and receivables are carried at amortised cost using the effective interest method or cost.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised as profit or loss.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable maybe impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of any impairment loss is recognised in profit or loss within administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other income in profit or loss.

h) Inventory

Raw materials, finished goods and work in progress are stated at the lower of cost or net realisable value. Cost of work in progress comprises direct materials, direct labour and any external sub-contract costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

i) Property, Plant and Equipment

Property plant and Equipment are measured at cost less depreciation and any impairment losses.

Depreciation on property, plant and equipment is calculated on a reducing balance basis using the following rates:

- Plant and equipment 4.5% - 65%
- Motor Vehicles 18.75% - 30%
- Development equipment 20% - 50%

j) Intangible assets

Patents

Patents in progress are recognised as a prepayment until verification of the success of the application. If an application is unsuccessful the costs are expensed in the fiscal year the application is formally closed as unsuccessful. Where an application is successful the costs are recorded as intangible assets and amortised from the point at which the patent application was formally advised of its success. Patent expenditures are amortised at 7.5% per annum.

Software

Where software is deemed a long term investment, such as the current enterprise resource planning software used by the company, the software costs are recorded as intangible assets and amortised from the point at which the software is installed for use. Software expenditures are amortised at 40% - 70% per annum.

k) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

l) Leases

Leases of plant and equipment, where the company as lessee has substantially all the risks and rewards of ownership, are classified as finance liabilities. Financed assets are capitalised at their inception at the fair value of the leased equipment or, if lower, the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance agreements are depreciated over the shorter of the asset's useful life and the lease term.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

m) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

o) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for employee entitlements which are not expected to be settled within 12 months after the end of the period in which employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Discount rates are based on the market yield on Commonwealth Government Securities with maturity dates close to the expected date the employee will reach 10 years of service.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. Where employees have completed the required period of service, this entire amount is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experiences, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via an employee share scheme. The fair value of options granted under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted, including the impact of any vesting conditions.

Vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the numbers of shares that are expected to vest based on the vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the company is treated as a capital contribution to that subsidiary undertaking. The fair value of the employee services received, measured by

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

p) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

q) Earnings per share

(i) Basic Earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to members of the company, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings per share

There are no outstanding ordinary shares therefore diluted earnings per share is the same as basic earnings per share.

r) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Government grants relating to assets are initially taken to deferred income and then offset against the carrying amount of the asset when construction of the asset has been completed.

s) Impact of Standards Issued but not yet applied by the Entity

(i) AASB 9 Financial Instruments (Effective Date: 1 January 2018)

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. LaserBond is yet to take a detailed assessment of the impact of the AASB9. However, based on its preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- The 12 month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months of the reporting date); or
- Full lifetime expected credit loss (expected credit losses that result from all possible default events over the life of the financial instrument)

(ii) AASB 15 Revenue from Contracts with Customers (Effective Date: 1 January 2018)

AASB 15 introduces a five step process for revenue recognition with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods and services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or service.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Based on preliminary assessment, when this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements

(iii) AASB 16 Leases (Effective Date: 1 January 2019)

AASB 16 introduces a new model requiring lessees to recognise all leases on the balance sheet, except for short term leases and leases of low value assets. A short term lease is defined as a lease which has a term of twelve months or less at the commencement date. The assessment of low value asset is based on the absolute value of the leased asset when new.. The changes in AASB 16 will lead to recognition of increased lease liabilities on the balance sheet. LaserBond is yet to undertake a detailed assessment of the impact of AASB16.

(iv) AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions (effective date: 1 January 2018)

This Standard amends AASB 2 Share-based Payment to address:

a) The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments,
b) The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
c) The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

When these amendments are first adopted for the year ending 30 June 2019 there will be no material impact on the financial statements.

NOTE 2: Critical Accounting Estimates and Judgements

Provision for Inventories:

The inventory held is reviewed on a monthly basis to determine whether there is any old, damaged or obsolete stock, or any other stock items which need to be written down to net realisable value. At 30 June 2018 the directors have impaired the down-the-hole (DTH) hammers and consumable inventory by $281,624 (2017: Nil)

NOTE 3: OTHER INCOME

	2018 $	2017 $
Interest Revenue	7,190	7,308
Grant Income	640,772	246,382
Other	17,456	38,561
	665,418	292,251

NOTE 4: EXPENSES

Profit before Income Tax from continuing operations includes the following specific expenses

	2018 $	2017 $
Auditors Remuneration		
- Audit Services – audit and review of Financial Reports	61,253	58,596

NOTE 5: INCOME TAX

	2018 $	2017 $
Reconciliation of Income Tax Expense from continuing operations		
Profit before Income Tax expense	1,402,193	1,510,717
Prima Facie Tax at the Australian tax rate of 30% (2017: 30%)	420,658	453,215
Deferred Tax Asset adjustments	54,903	8,574
R&D Tax Concession	(63,723)	(28,631)
Non-deductible expense	4,926	(86,084)
Adjustment to Prior Year Income Tax Provisions	17,680	50,751
Total Income Tax Expenses	434,444	397,825

NOTE 6: EARNINGS PER SHARE

	2018	2017
Basic and diluted earnings per share (cents)	1.04	1.22

There are no current options to affect diluted earnings per share.

(a) Weighted Average Shares on Issue	**No. of Shares**	**Weighted No.**
Opening Balance as at 1st July 2017	91,132,465	91,132,465
Shares issued as at 9th October 2017	100,000	72,329
Shares issued as at 13th October 2017	979,480	697,712
Shares issued as at 21st December 2017	152,008	79,544
Shares issued as at 6th April 2018	709,536	165,234
Closing Balance as at 30th June 2018	93,073,489	92,147,284

NOTE 7: TRADE AND OTHER RECEIVABLES	**2018**	**2017**
	$	**$**
Trade Receivables	3,478,783	3,078,550
Provision – Impairment of Receivables	(13,135)	(12,800)
Loans – Key Management Personnel	16,174	28,174
Loans – Employees	2,789	2,400
Prepayments	1,877,830	957,689
	5,362,441	4,054,013

Prepayments include $376,495 being income entitlement on a milestone relating to a government grant (Next Generation Manufacturing Improvement Program (NGMIP) and $735,675 being deposits on equipment either to increase capacity and / or capabilities or related to the commissioning of the automated laser cladding facility for the NGMIP.

			Past due but not impaired (days overdue)				
	Gross Amount	**Past due and impaired**	**<30**	**31-60**	**61-90**	**>90**	**Within trade terms**
	$	**$**	**$**	**$**	**$**	**$**	**$**
2018							
Trade receivables	3,440	13	1,657	1,153	608	9	3,291
Other receivables	1,922	-	1,922	-	-	-	1,922
	5,362	13	3,579	1,153	608	9	5,213
2017							
Trade receivables	3,079	13	1,177	1,297	428	164	2,815
Other receivables	988	-	988	-	-	-	988
	4,067	13	2,165	1,297	428	164	3,803

NOTE 8: INVENTORY	**2018**	**2017**
	$	**$**
Stock on Hand – Raw Materials	1,421,559	1,051,717
Stock on Hand – Finished Goods	382,659	412,720
Stock on Hand – Inventory Impairment	(281,624)	-
Work in Progress	965,011	320,880
	2,487,605	1,785,317

The ongoing commercialisation of the technology we have developed and continue to develop for the Down-the-Hole (DTH) hammers and other drilling consumables is the subject of the CRCp program in conjunction with our partners Boart Longyear and the University of SA. The project is proceeding well and will deliver very positive results for the company in the future. However, as noted within our December 2017 half year report, at the time of launch of our Down-the-Hole (DTH) hammers a marketing campaign provided information related to the type and size of hammers and consumables used by potential customers. Since this campaign a number of stocked consumables, particularly bits, have not been sold to customers.

As at the date of this report, discussions are in progress with the original supplier of DTH hammers for potential buyback options. Taking a prudent approach, the Board has written down DTH hammer and consumables amounting to $281,624 as at 30 June 2018.

NOTE 9: PROPERTY, PLANT & EQUIPMENT

	2018	2017
Plant & Equipment	$	$
At Cost	6,042,366	4,903,165
Less Accumulated Depreciation	(3,221,727)	(2,629,214)
	2,820,639	2,273,951
Office Equipment		
At Cost	214,240	184,473
Less Accumulated Depreciation	(156,697)	(151,975)
	57,543	32,498
Motor Vehicles		
At Cost	534,035	465,234
Less Accumulated Depreciation	(325,744)	(234,173)
	208,291	231,061
TOTAL PROPERTY, PLANT & EQUIPMENT	3,086,473	2,537,510

(a) Movements in Carrying Amounts

	Plant & Equipment	Office Equipment	Motor Vehicles	Total
2018 Financial Year	$		$	$
Balance at the beginning of the year	2,273,951	32,498	231,061	2,537,510
Additions	1,140,237	51,630	68,800	1,260,675
Sale / Disposal of Asset	(88)	(249)	-	(337)
Depreciation Expense	(593,461)	(26,336)	(91,570)	(711,367)
Carrying Amount at the end of the year	2,820,639	57,543	208,291	3,086,473
2017 Financial Year	$	$	$	$
Balance at the beginning of the year	2,163,829	39,542	173,356	2,376,727
Additions	663,881	12,088	169,364	845,333
Sale / Disposal of Asset	(41,727)	-	(9,576)	(51,303)
Depreciation Expense	(512,032)	(19,132)	(102,083)	(633,247)
Carrying Amount at the end of the year	2,273,951	32,498	231,061	2,537,510

(b) Asset Additions financed

	2018	2017
The values for asset additions purchased utilising finance leases or hire purchase agreements are:	1,011,041	693,849

NOTE 10: INTANGIBLES

	Patents and Trademarks	Development Asset	Other Intangibles	Total
2018 Financial Year	$	$	$	$
Balance at the beginning of the year	5,955	-	33	5,988
Additions	-	-	24,231	24,231
Disposals	-	-	(700)	(700)
Amortisation Expense	(447)	-	(5,685)	(6,132)
Carrying Amount at the end of the year	5,508	-	17,879	23,387
2017 Financial Year				
Balance at the beginning of the year	6,438	235,994	71	242,503
Additions	-	-	-	-
Disposals	-	-	-	-
Amortisation Expense	(483)	(235,994)	(38)	(236,515)
Carrying Amount at the end of the year	5,955	-	33	5,988

NOTE 11: DEFERRED TAX ASSETS

	2018	2017
Deferred tax assets comprise temporary differences attributable to:	$	$
Employee Benefits	250,744	203,211
Accruals	37,296	29,926
	288,040	233,137
Deferred tax assets expected to be recovered within 12 months	160,562	121,927
Deferred tax assets expected to be recovered after more than 12 months	127,478	111,210
	288,040	233,137

	Employee Benefits	Expense Accruals	Total
At June 2016	180,702	43,860	224,562
(Charged) / credited			
- to profit or loss	22,509	(13,934)	8,575
- directly to equity	-	-	-
At June 2017	203,211	29,926	233,137
(Charged) / credited			
- to profit or loss	47,533	7,370	54,903
- directly to equity	-	-	-
At June 2018	250,744	37,296	288,040

NOTE 12: TRADE AND OTHER PAYABLES

	2018	2017
	$	$
Trade Payables	1,036,909	1,021,802
Taxes	85,729	73,449
Superannuation	38,070	32,996
Dividends	28,631	26,508
Accrued Expenses	678,158	290,641
	1,867,497	1,445,396

Accrued Expenses include $563,677 relating to two government grants (Next Generation Manufacturing Improvement Program (NGMIP) and Cooperative Research Collaboration Project (CRC-P). This balance relates to deferred revenue for funding entitlements for the NGMIP ($188,248) plus government funding due and tax invoices received from project partners for expense claims relating to the CRC-P ($375,429).

NOTE 13: CONTRIBUTED EQUITY

Issued and Paid Up Capital	2018 Shares	2018 $	2017 Shares	2017 $
Opening Balance	91,132,465	6,186,816	89,410,345	5,985,756
Issued Shares	1,941,024	220,132	1,722,120	201,060
Provision Unissued (Entitled) Shares	-	-	-	-
	93,073,489	6,406,948	91,132,465	6,186,816

(a) Ordinary Shares

Date	Details	No. Shares	Issue Price (Cents per Share)	$
1st July 2016	Opening Balance	89,410,465		
7th October 2016	Dividend Reinvestment Plan	721,972	10.93	75,415
26th October 2016	Non.Exec. Director Remuneration	300,000	13.50	39,250
24th November 2016	Employee Share Plan	63,700	12.50	8,705
7th April 2017	Dividend Reinvestment Plan	636,448	12.56	77,690
30th June 2017	Closing Balance	91,132,465		201,060

9th October 2017	Non.Exec. Director Remuneration	100,000	12.50	10,662
13th October 2017	Dividend Reinvestment Plan	979,480	12.54	118,212
21st December 2017	Employee Share Plan	152,008	15.00	14,866
6th April 2018	Dividend Reinvestment Plan	709,536	11.40	76,392
30th June 2018	Closing Balance	93,073,489		220,132

(b) Capital Risk Management

Management effectively manages the company's capital by assessing the group's financial risks and adjusting its financial structure in response to those risks. These responses include the management of debt levels and distributions to shareholders. The company has no borrowings and no externally imposed capital requirements. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 14 : CAPITAL AND LEASING COMMITMENTS

	2018	2017
	$	$
(a) Hire Purchase / Finance Lease Commitments		
Payable:		
Within one (1) year	546,473	432,367
Later than one (1) year but not later than five (5) years	1,648,390	1,045,794
Minimum Hire Purchase / Finance Lease payments:	2,194,863	1,478,161
Less future finance charges	(271,996)	(123,594)
Total Hire Purchase / Finance Lease Liability	1,922,867	1,354,567

The company's hire purchase and finance lease commitments are in relation to plant & equipment and motor vehicles. These are under agreements expiring currently within 1 to 5 years. Under the Terms of Agreements, the company has the option to acquire the financed assets by payment of the final instalment. This option lapses in the event of a default of the finance lease agreement.

(b) Operating Lease Commitments

	2018	2017
Payable:		
Within one (1) year	744,378	820,119
Later than one (1) year but not later than five (5) years	2,583,057	2,634,832
Later than five (5) years)	-	116,168
	3,327,435	3,571,119

NOTE 15: CONTINGENT ASSETS & LIABILITIES

The directors are not aware of any contingent assets or contingent liabilities that would have an effect on these financial statements. (2017: Nil)

NOTE 16: RELATED PARTY TRANSACTIONS

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Other Related Parties

	2018	2017
Labour Costs		
Labour – Payroll Staff (persons related to executive directors)	171,984	238,098

Note: this is exclusive of executive director remuneration which is included within the remuneration report on pages 15 to 17

(b) Key Management Personnel Transactions	**2018 $**	**2017 $**
Consultants		
Hawkesdale Group	2,500	4,375
Sam Holdings (Aust.)	57,450	234,575
	59,950	238,950

These consultant fees are all paid to non-executive director related entities and relate to services to support executive functions. Fees relative to a non-executive directors board fees are included within the remuneration report on pages 15 to 17.

Hawkesdale Group provided consultancy services related to sales support and strategy development. This is a director related entity.

Sam Holdings provided consultancy services related to Sales and Marketing support, Government grant support and strategy development. This is a director related entity.

Loans		
Director Loan – Gregory Hooper	16,174	28,174

All Loans are classified as current, unsecured and interest free. This is payable on demand.

Superannuation		
Contribution to superannuation funds on behalf of key management personnel	89,954	62,041

NOTE 17: KEY MANAGEMENT PERSONNEL

The key management personnel of the company for management of its affairs are all executive directors and the company secretary.

(a) Remuneration

Details in relation to the remuneration of the key management personnel of the company for management of its affairs are included in the remuneration Report on pages 15 to 17.

(b) Options Held

There were no options held at 30 June 2018 or 30 June 2017. There were no options issued during the financial year.

(c) Shares Held

Interest		**Shares Held as at 30th June 2017**	**Issued**	**Purchased / (Sold)**	**Shares Held as at 30th June 2018**
Wayne Hooper	Direct	9,067,779	284,153	-	9,351,932
Wayne Hooper	In-Direct	1,132,427	47,434	38,000	1,217,861
Greg Hooper	Direct	5,412,926	226,733	-	5,639,659
Greg Hooper	In-Direct	3,778,625	158,275	-	3,936,900
Philip Suriano	In-Direct	439,296	105,835	-	545,131
Allan Morton[1]	In-Direct	1,454,964	-	-	1,454,964[2]
Matthew Twist	Direct	56,554	9,154	-	65,708
		21,342,571	831,584	38,000	22,212,155

[1] Allan Morton resigned on 4 October 2017.
[2] These were the amount of shares held at the date of Allan Morton's resignation.

Interest		**Shares Held as at 30th June 2016**	**Issued**	**Purchased / (Sold)**	**Shares Held as at 30th June 2017**
Wayne Hooper	Direct	8,839,454	228,325	-	9,067,779
Wayne Hooper	In-Direct	1,094,648	37,779	-	1,132,427
Greg Hooper	Direct	5,232,343	180,583	-	5,412,926
Greg Hooper	In-Direct	3,652,564	126,061	-	3,778,625
Philip Suriano	In-Direct	184,649	154,647	100,000	439,296
Allan Morton	In-Direct	679,397	186,736	588,831	1,454,964
Matthew Twist	Direct	46,812	9,742	-	56,554
		19,729,867	923,874	688,831	21,342,571

NOTE 18: DIVIDENDS	2018 $	2017 $
Declared 2018 fully franked interim ordinary dividend of 0.2 (2017: 0.2) cents per share franked at the tax rate of 30% (2017: 30%)	184,728	178,821
Declared 2017 fully franked final ordinary dividend of 0.3 (2017: 0.2) cents per share franked at the tax rate of 30% (2016: 30%)	273,373	180,992
Total dividends per share for the period	0.5 cents	0.4 cents
Dividends paid in cash or satisfied by the issues of shares under the dividend reinvestment plan during the year were as follows:		
Paid in cash	254,389	200,957
Satisfied by the issue of shares	203,712	158,856
	458,101	359,813

Dividends not recognised during the reporting period

Since year end the directors have recommended the payment of a final dividend of 0.4 cents per fully-paid ordinary share (2017: 0.3) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 12th October 2018 out of retained earnings at 30 June 2018, but not recognised as a liability at year end is $372,294 The debit expected to franking account arising from this dividend is $111,688.

Franking credits

	2018	2017
Franking credits available for subsequent periods based on a tax rate of 30% (2017: 30%)	1,672,208	1,495,948

NOTE 19: CASH FLOW INFORMATION	2018	2017
Reconciliation of profit after income tax to net cash flows from operating activities	$	$
Profit after Income Tax for the year	967,749	1,112,892
Non-cash flows in operating surplus		
Depreciation, Amortisation & Impairment	783,048	920,172
(Profit) / loss on disposal of property, plant & equipment	(337)	(1,186)
Changes in assets and liabilities		
(Increase) / Decrease in trade and other receivables	(1,308,428)	(1,077,905)
(Increase) / Decrease in inventories	(702,288)	72,636
(Increase) / Decrease in deferred tax assets	(54,903)	-
Increase / (Decrease) in trade and other payables	422,101	668,695
Increase / (Decrease) in current provisions	161,838	97,500
Increase / (Decrease) in current tax liabilities	120,781	275,814
Increase / (Decrease) in non-current provisions	(3,393)	(93,267)
Net cash provided by operating activities	386,842	1,975,351

NOTE 20: FINANCIAL INSTRUMENTS

Financial Risk Management Policies

Activities undertaken may expose the company to credit risk, liquidity risk and cash flow interest rate risk. The group's risk management policies and objectives are therefore reviewed to minimise the potential impacts of these risks on the results of the company.

The Board of Directors monitors and manages financial risk exposures of the company and reviews the effectiveness of internal controls relating these risks. The overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance, including the review of credit risk policies and future cash flow requirements.

Maturity of financial liabilities at 30th June 2018	**Within 1 Year**	**1 to 5 Years**	**Total**
	$	**$**	**$**
Trade and other payables	1,878,381	-	1,878,381
Hire Purchase / Finance Lease	441,988	1,480,879	1,922,867
Total financial liabilities	2,320,369	1,480,879	3,801,248

Maturity of financial liabilities at 30th June 2017	**Within 1 Year**	**1 to 5 Years**	**Total**
	$	**$**	**$**
Trade and other payables	1,445,396	-	1,445,396
Hire Purchase / Finance Lease	363,173	991,394	1,354,567
Total financial liabilities	1,808,569	991,394	2,799,963

Credit Risk Exposure
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

Liquidity Risk
Liquidity risk is the risk that the group may encounter difficulties raising funds to meet commitments. The group manages this risk by monetary cash flow forecasts

Net fair value of financial assets and liabilities
The carrying amount of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities (e.g. accounts receivable and payable) are at approximate net fair value.

Sensitivity Analysis
The company has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis:
The company as 30th June 2018 held a quantity of cash on hand in an interest bearing bank account. The Director's do not consider that any reasonably possible movement in interest rates would cause a material effect on profit or equity.

Foreign Currency Risk Sensitivity Analysis:
The company purchases certain raw material from overseas due to non-availability in Australia or savings due to bulk buying power overseas. The company continues to expand its operation and has some overseas customers. 100% of those overseas customers invoiced in foreign currency and 95% of overseas suppliers paid in foreign currency are affected by movement in the US dollar exchange rate. To mitigate foreign currency risk for US dollar transactions the group has a US dollar bank account. Payments made from this US dollar account are from foreign customer deposits or transfers of cash at a time the exchange rate is deemed positive (which is reviewed on a daily basis) The Director's do not consider that any reasonably possible movement in foreign currency rates would cause a material effect on profit or equity.

NOTE 21: SHARE BASED PAYMENTS

a) Employee Share Plan
A scheme under which shares may be issued by the company to employees for no cash consideration was approved by shareholders through the prospectus. Eligibility to participate is based on an employee being a full-time employee of the company (or any of its 100% owned subsidiaries), the employee is an Australian resident for income tax purposes and the employees has been directly employed by the group (or any of its 100% owned subsidiaries) for at least as period of 36 continuous months in a permanent position.

Each eligible employee will be entitled to a maximum of $1,000 of fully-paid ordinary shares annually, with the number of shares calculated based on the closing price of the group's on the day each issue is formally passed by the Board. Offers under the scheme are at the discretion of the Board.

Shares issued are vested for a period of three years from date of issue, with one third released annually on each anniversary date of the Board approved issue date. If employment is ceased for any reason any shares still currently vested and not released will be forfeited by the employee. Shares are issued as fully-paid ordinary shares and rank equally with existing shares on issue.

	2018	**2017**
	$	**$**
Number of new shares issued under the plan to participating employees: (refer to Note 13 a) for detail of date of issue and issue price)	152,008	63,700

b) Non-Executive Director Remuneration (Non-Cash)

Non-Executive Directors may be paid remuneration through both cash fees and non-cash benefits in the form of equity issues. The fees will be a fixed sum determined annually that reflects the time, commitment and responsibilities of their role, financial forecasts and cash-flow position of the company.

No shares will be issued until shareholder approval is gained at the next Annual (Or Extraordinary) General Meeting.

Where the issue of shares results in the aggregate amount of fees to exceed the sum approved last by shareholders, shareholder approval may be sought to modify the agreed aggregate amount of fees.

Where the issue of shares results in a non-executive director's total remuneration for a fiscal year to be in any way deemed 'unreasonable remuneration', shareholder approval will be sought to approve any recommended issue. Unreasonable remuneration is defined as the aggregate amount of fees most recently approved by shareholders divided by the total number of non-executive directors.

The required approval, if any, will be determined by the Board prior to the next Annual (or Extraordinary) General meeting.

A non-executive director is ineligible for non-cash benefits in the form of equity issues if the non-executive director has not held a position on the Board for the full twelve months of each fiscal year.

At the 2017 Annual General Meeting shareholder approval was sought and gained for the issue of 100,000 shares to one non-executive director who held office for the full twelve months of fiscal year 2017. No approval has as yet been sought or gained for the 2018 fiscal year.

c) Expense arising from share based payment transactions

	2018 $	2017 $
Shares Issued under employee share plan	16,704	10,454
Shares Issued under Non-Executive Director Remuneration	12,500	40,500
	29,204	50,954

NOTE 22: CONTROLLED ENTITIES

The group owns 100% of LaserBond (Qld) Pty Ltd, which is a non-trading entity incorporated in Australia.

NOTE 23: SEGMENT REPORTING

The company has identified its operating segment based on internal reports that are reviewed and used by the executive directors (chief decision makers) in assessing performance and determining allocation of resources. The company operates entirely within Australia. Segment information for the reporting period is as provided below. Other category consists of the Technology and Research and Development segments.

	30 June 2018			
	Services	Product	Other	Total
Revenue	10,040,123	5,608,023	-	15,648,146
EBITDA	1,827,354	934,973	(539,051)	2,223,276
Interest	45,407	58,177	-	110,774
Depreciation & Amortisation	400,583	314,974	1,942	717,499
Profit Before Income Tax	1,381,364	561,822	(540,993)	1,402,193
Income tax expense	(424,284)	(172,458)	162,298	(434,444)
Profit after Income Tax	957,080	389,364	(378,695)	967,749
Assets	12,482,710		144,298	12,627,008
Liabilities	(4,752,011)		(100,000)	(4,852,011)

	30 June 2017			
	Services	**Product**	**Other**	**Total**
Revenue	7,237,205	5,075,744	1,438,486	13,751,417
EBITDA	1,572,571	989,428	(106,072)	2,455,927
Interest	42,498	27,998	7,308	77,804
Depreciation & Amortisation	434,945	431,237	1,224	867,406
Profit Before Income Tax	1,095,128	530,193	(114,604)	1,510,717
Income tax expense	(288,386)	(139,619)	30,180	(397,825)
Profit after Income Tax	806,742	390,574	(84,424)	1,112,892
Assets	10,165,650		461,951	10,627,601
Liabilities	(3,253,526)		(328,858)	(3,582,384)

NOTE 24: MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

a) Dividends

The directors have recommended the payment of a final dividend of 0.4 cents per fully-paid ordinary share (2017: 0.3), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend is expected to be paid on 12th October 2018.

Subject to the group continuing to develop in accordance with future plans, the Board expects to continue to maintain future dividends.

b) Technology License Agreement

LaserBond has signed its second Technology License Agreement, this time with a UK based multinational engineering company. The agreement involves the supply of a LaserBond® designed and constructed laser cladding system, ongoing training and support and consumable sales. This agreement will yield an increase in revenue this financial year by more than 10% year on year with associated overhead recovery and increase in profits. Revenue in future years will include ongoing royalty fees over a seven year license term as well as consumable sales.

NOTE 25: ECONOMIC DEPENDENCY

Revenues of $7,216,681 (2017 - $5,801,663) are derived from two external customers.

1. Substantial Shareholders at 27th July 2018

Holder LaserBond Limited	Number of Ordinary Fully Paid Shares Held	%
Ms Diane Constance Hooper	9,351,932	10.048
Mr Wayne Edward Hooper	9,351,932	10.048
Mr Wayne Edward Hooper (W&D Hooper Investments Pty Ltd)	1,217,861	1.308
Mr Rex John Hooper	7,283,916	7.826
Ms Lillian Hooper	7,137,590	7.669
Mr Gregory John Hooper	5,639,659	6.059
Mr Gregory John Hooper (Grendy Super Fund A/C)	3,936,900	4.230
Lornat Pty Ltd <WK & LM Peachey S/Fund A/C>	4,943,344	5.311

2. Distribution of Shareholders as at 27th July 2018

Holdings Ranges	Holders	Total Units	%
1-1,000	34	5,468	0.006
1,001-5,000	47	177,237	0.190
5,001-10,000	65	518,484	0.557
10,001-100,000	216	8,044,476	8.643
100,001-9,999,999,999	98	84,327,824	90.603
Totals	**460**	**93,073,489**	**100.000**
Holdings less than a marketable parcel	53	54,525	0.05858

3. Twenty Largest Shareholders as at 27th July 2018

Holder LaserBond Limited	Number of Ordinary Fully Paid Shares Held	%
Ms Diane Constance Hooper	9,351,932	10.048
Mr Wayne Edward Hooper	9,351,932	10.048
Ms Rex John Hooper	7,283,916	7.826
Mr Lillian Hooper	7,137,590	7.669
Mr Gregory John Hooper	5,356,842	5.755
Lornat Pty Ltd (WK & LM Peachey S/Fund A/C)	4,943,344	5.311
Mr Gregory John Hooper (Grendy Super Fund A/C)	3,936,900	4.230
Mr Ian Davies	3,609,555	3.878
Parks Australia Pty Ltd	2,347,133	2.522
Myall Resources Pty Ltd <Myall Group Super Fund A/C>	2,296,750	2.468
Mr Keith Knowles	2,100,000	2.256
Fortitude Enterprises Pty Ltd	1,343,764	1.444
Mr Brendan Thomas Birthistle	1,325,675	1.424
Mr Makram Hanna & Mrs Rita Hanna (Hanna & Co P/L Super A/C)	1,234,397	1.326
W&D Hooper Investments Pty Ltd <W&D Hooper Unit A/C>	1,217,861	1.308
Mr William Ross Fenner	913,807	0.982
Dixson Trust Pty Limited	869,560	0.934
Fortitude Enterprises Pty Ltd <Fortitude Super Fund A/C>	782,567	0.841
Mr David Webster & Mrs Janine Florence Webster <D&J Webster Super Fund A/C>	573,988	0.617
Eory Super Pty Ltd <Eory Investments P/L Pen A/C>	555,327	0.597
Totals for Top 20	66,532,840	71.484
Security Totals	**93,073,489**	

4. Voting Rights

The voting rights attached to each class of equity securities are:

a) Ordinary shares - on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
b) Options – No voting rights.

5. Restricted Securities

The group has no restricted securities.

6. Securities subject to voluntary escrow

Total number of shares held in escrow	Escrow Release Date 1	Escrow Release Date 2	Escrow Release Date 3
51,838	21 Dec 2018 – 51,838 shares		
85,327	21 Nov 2018 – 42,672 shares	21 Nov 2019 – 42,655 shares	
146,674	16 Dec 2018 – 48,884 shares	16 Dec 2019 – 48,884 shares	16 Dec 2020 – 48,906 shares

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