



29 June 2018

Company Announcements Office
Australian Securities Exchange

CHAIRMAN'S ADDRESS – 28 JUNE 2018 ANNUAL GENERAL MEETING

In my first AGM as Chairman of the Company, I would like to thank you, the Shareholders, for your patience and support over the last 12 months during a challenging year for LWP Technologies.

I was appointed as Independent Non-Executive Chairman on July 24, 2017, after the ASX advised LWP that Board changes were needed to include Independent Directors. Prior to my appointment to the Board, I had no previous commercial dealings with the Directors of LWP.

To give you some background on myself, I have been involved with Public Companies since 2000. I have been active in the Oil and Gas Industry since 2006 in the USA. I was one of the Founders and Managing Director of a start-up oil company, which we grew to over US\$30m in annual revenue in Oklahoma. I have experience as a Public Company Director in various industries and sizes in Australia, USA and Canada.

Currently, I am also a Director of a private oil and gas operator drilling and fracking new vertical wells in Oklahoma. My interest in LWP came about through my exposure to the advances in fracking technology as operators look for better engineering outcomes. My initial discussions with known contractors in the field including the Hydraulic Stimulation Company in Oklahoma, indicated that if the LWP technology could be proven in the field, there may be an opportunity when or if, the oil and gas investment returned to the previous levels seen prior to 2014.

Following my appointment to the Board of LWP, I discovered several discrepancies between the public announced information by the Company, information I received during my briefing prior to joining the Board and the actual position of the Company as at the end of July.

As you may be aware, an Independent Corporate Governance report had been commissioned in March 2017 at the request of the ASX after LWP had received a number of query letters.

Upon a review of the information previously submitted to the ATO by Management of LWP, it became clear to me that the R & D process had been misunderstood, and as a result incorrect information as to the scale of potential tax office rebates had been released to the market claiming that over \$2m of rebates were owed to the Company. Inquiries with BDO and the Australian Tax Office revealed that the Company had greatly reduced the claimed amounts for 2015 fiscal year after discussions with the ATO in March 2017. Under AUSINDUSTRY guidelines, the Company may have been entitled to a 43% rebate on authorised expenditure on recognised R&D activities. LWP was not authorised to claim overseas expenses incurred, along with other amounts that had been included in the original claims including certain expense incurred in R&D conducted in the German laboratory.

As a result, of the information received from the ATO, the Board authorised a request to suspend trading of the Companies Securities with the ASX on 14 August 2017 to allow time to review and clarify the applications and process underway with respect to R&D claims submitted by LWP for financial year ended 2015. Following discussions with the ASX the request was granted and trading in the Companies securities remains suspended.

Separate claims had been lodged for Ecopropp Pty Ltd and LWP Technologies Ltd for the 12 months ended June 30, 2015. The outcome was that a rebate of \$252,000 for claims made by Ecopropp for 2015 was received during the June Quarter of 2018. The claim by LWP Technologies for 2015 has been disallowed by AUSINDUSTRY as the Company was unable to demonstrate significant progress towards commercialisation of the technology or make substantial inventive steps in Australia. This is despite the fact the Company was granted a US patent for the technology in 2017 and the lodgement of two continuations to the Patent.

Having incurred considerable expense in contesting the ATO and AUSINDUSTRY rulings this year, the Board has decided not to pursue these matters any further. For clarity, no formal claim was lodged for expenses incurred in financial year 2016 or 2017.

During the September quarter of 2017, preparations for the full year Audit for the end of financial year 30 June 2017 had begun and unexpected delays were encountered in preparation of the financial reports due to anomalies with the accounting and internal processes in place within the Company.

To assist in finalising the reports, the Board appointed a new CFO/Company Secretary, Mr David Clark, in September 2017 and the required reports were released in December 2017. As required by the Corporations Act, the Auditor lodged a Notice under Section 311 of the Corporations Act in respect of the late lodgement and delays incurred.

In early October, representatives of Hallmark Minerals from India visited Australia to discuss the Joint Venture with LWP. Hallmark advised that key steps to formalise the proposed JV had not occurred and that they wished to withdraw. A review of the formal documentation revealed that certain steps defined in the agreements had not been actioned despite Milestone Shares in LWP being issued to the vendors and shareholders of Ecopropp Pty Ltd.

At my request, the Board authorised the commencement of an Independent Legal Review of the LWP business and Dentons were appointed to undertake this task. A preliminary report was completed on 2 December 2017 and was lodged with the ASX and ASIC along with the completed Independent Corporate Governance Report. Both reports indicated apparent departures from normal practice on several occasions.

The Company also settled a costs order with VVV Technologies in November 2017 for \$95,000.

In January 2018, ASIC advised the Company that an inquiry into certain activities had commenced and issued a Notice under Section 33 of the Corporations Act for information in addition to that included in the Independent Corporate Governance and Independent Legal Review reports. The Company continues to co-operate fully with the ASX and ASIC during this process. ASIC representatives have advised the Company of ASIC Information Sheet 152: "Public Comment". As the matters are ongoing, no further comment can be made at this stage and an update will be made to the market at the appropriate time as guided by ASIC and the ASX.

Separately, inquiries from various stakeholders in the USA oil and gas proppant market continued during the March quarter of this year. Despite the recovery in the underlying WTI oil price, the market for ceramic proppants is struggling to recover from the downturn, with operators preferring to use lower cost sand products for well completions. Investment in the oil and gas Industry is starting to pick up, however, any attempts to commercialise new technology in the current climate will take considerable time and is outside the financial capacity of the Company.

It has been a challenging year for all of us. In the current environment of social media and the ability to anonymously make statements that may not be based on the underlying facts, it is important to understand the need for patience to allow due process to occur.

As a Board, we have implemented new internal processes to ensure proper Corporate Governance is in place and remain focused on delivering business outcomes in the interest of all Shareholders.

During the year, the Board considered the appropriate next steps to regain value for Shareholders and have concluded that a consolidation of shares in the Company, will assist to recapitalise the Company in the coming months. We continue to review several potential opportunities outside the oil and gas industry. Any future transaction will be subject to Regulatory and Shareholder approval.

At the appropriate time, existing shareholders will be offered the opportunity to participate in future capital raising/s. This may occur via a Rights Issue, a Share Purchase Plan and/or a Priority Offer to existing Shareholders.

In closing, I would like to thank Shareholders for their patience over the last 12 months. I have had the opportunity to speak with several of you during my time with the Company. Feel free to contact me by email or telephone.

Thank You.

- ENDS -

For further information, please contact:

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