



SHAREHOLDER UPDATE

ASX ANNOUNCEMENT

20 February 2017

Energy technology company, LWP Technologies Limited (ASX: LWP) (“LWP” “the Company”) is pleased to provide this update to shareholders on funding and operational progress. Improved market conditions in global energy markets, relative stability in pricing, and positive sentiment in the United States unconventional oil & gas sector bodes well for LWP.

FUNDING UPDATE

Sale of listed equities: LWP is sufficiently funded to execute current operational activities. The Company has requested its portfolio manager to undertake an orderly sale, over a number of weeks, of approximately \$960,000 worth of listed equities to provide working capital for current operations. LWP is satisfied with the profits realised on these equity investments. Following these sales, LWP no longer intends to hold an equity portfolio.

Update on ATO R&D tax offset grant: As shareholders are aware, the Company has met with ATO representatives in regarding the monies owed to LWP under the R&D tax offset grant, and the ATO representatives have visited LWP’s Pilot Plant in Queensland. LWP has since provided additional information to the ATO and discussions are continuing. R&D offset tax experts BDO, have been retained to assist LWP. Further information requested by the ATO is currently being prepared and LWP has until 17 March to provide the information. The Company is preparing a position paper for submission, is positive on its entitlements, and receiving claims for a total of circa \$2.3 million.

Lanstead funding update: Pursuant to the terms of the Lanstead-LWP sharing agreement, the Company will not receive funding while the Company’s share price is at the current level. When the Company’s VWAP increases to approximately \$0.0015, funding will recommence. The Company is cognisant that significant funding tranches will only be realised upon LWP delivering on its operational objectives, namely signing a US licensee, and/or commencing operations in India, progress that is likely to lead to a strengthening of the Company’s share price.

LWP is sufficiently funded with total cash and liquid investments of circa \$2.3 million as at the date of this announcement.

OPERATIONAL PROGRESS

US marketing initiatives: LWP is actively promoting its low-cost, fly ash-based proppants to potential licensees in the United States, and industry visibility is growing. Last month, David Henson and Siegfried Konig attended the Society of Petroleum Engineers conference in Woodlands, Texas and a number of newly interested parties were engaged. It should be emphasised that the requisite due diligence and negotiations for multi-million dollar investments in assets such as greenfield proppant plants takes considerable time.

Pune manufacturing facility: To allow the engineering design for the Pune manufacturing upgrade to be finalised, the board has engaged third party, independent experts to audit the anticipated throughput of the primary sintering kiln at Pune, which is expected to be completed shortly.

Company representatives also forwarded raw materials to potential milling equipment suppliers in Europe and the US, then attended to observe and evaluate on-site test milling at the suppliers' premises. Many milling operations require raw materials to be milled separately, stored in individual silos, then weighed separately before being mixed. Additionally, milling of ultra fine materials separately requires milling, classifying, and dust mitigation equipment. The equipment identified for Pune would allow for homogeneous milling of all of the raw material inputs in one process and no classifier is expected to be required, therefore minimal dust mitigation is required, as the system should be fully enclosed. An added bonus is the milling equipment is quiet compared to (say) a ball mill plus the requisite classifier.

Queensland Pilot Plant decommissioning: The Company's pilot plant in Clontarf, Queensland, has been successful in proving up the company's proppant technology, and decommissioning has commenced. Various equipment is being prepared for sale, and the building is on schedule to be 'made good' by September 2017, when the Company's lease expires. The decommissioning will realise considerable annualised cost savings for LWP.

LEGAL AND ADMINISTRATIVE ISSUES

Graphenera update: Further to the Company's announcement of 30 January, Siegfried Konig and Viktor Volkov and the legal representatives for LWP and VVV Technologies Pty Ltd met on 15 February to discuss how this matter might be settled. The Company will keep shareholders informed of progress here.

Regulatory matters and the sale of Ecopropp shares: The Company has complied with ASX requests regarding the additional shares issued to Ecopropp vendors resulting from the miscalculation of the VWAP in the execution of the transaction with Ecopropp. Each of the 3 LWP directors have committed to selling the shares that were issued in error, with each agreeing to sell twice as many shares as had been issued in error. Given Mr Henson resides in the US, Mr Konig sold additional shares to cover those that would have been sold by Mr Henson with a true-up between the parties to occur shortly. An Appendix 3Y will be released for each director as when the respective transactions occur noting that Mr Konig lodged his Appendix 3Y in relation to this matter on 7 February 2017. The proceeds of these sales are in the process of being donated to a registered charity. The recent director sale of shares relates only to this matter.

MANAGEMENT COMMENTARY

Commenting on LWP's progress, Chairman Siegfried Konig said: "The Board is encouraged by the progress being made with potential US licensees and the growing levels of enquiry from the oil & gas industry on our low-cost, fly ash-based proppants. The US unconventional oil & gas sector continues to actively assess technologies that lower the cost of the hydraulic fracturing of oil & gas wells, and we are witnessing a notable increase in interest in LWP's technology. Nine out of ten natural gas wells¹ in the US use this process, so it represents a major opportunity for LWP and underpins our confidence in our proppants technologies, and our decision to focus all of our attention on commercialisation.

Our R&D team is working diligently and making very good progress in reducing manufacturing costs which is broadening the pool of interested parties.

Whilst we have experienced an obvious slip in the timeline for the upgrade of the Pune Plant, the Hallmark JV remains a key plank of LWP's growth plan and our team is working actively to finalise both the engineering plan and the last of the conditions precedent.

¹ <https://www.propublica.org/special/hydraulic-fracturing-national>

In terms of funding, LWP has sufficient financial flexibility through planned equity sales, a lowering of our cost base, and other potential funding avenues to pursue our near term growth objectives.

While we are obviously disappointed by the impact that some matters have had on our share price, and the subsequent restrictions that have arisen with regard to drawing down funds from the Lanstead facility, our total focus on our core technology and executing on opportunities in the US and India is likely to remedy this situation.

LWP's Board closely monitors commentary on social media platforms, and uses this opportunity to address some shareholder concerns. A recent sell down by one shareholder has understandably led to greater levels of enquiry. Our understanding is this is nothing more than one investor exiting the register.

We look forward to updating shareholders, with news flow regarding further proppant test results, and ongoing operational progress."

– ENDS –

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About LWP Technologies

LWP Technologies Limited (LWP) is an Australian oil and gas technology company focused on commercialising next generation, fly-ash based, proppants for use in hydraulic fracturing of oil and gas wells globally. LWP is seeking to commercialise its proppants as a cost effective, superior alternative to bauxite and clay based ceramic proppants, typically used in hydraulic fracturing operations currently. The Company commenced proppant production from its pilot scale proppant manufacturing plant in Queensland, Australia, in Q3, 2015. LWP is seeking joint venture partners and/or licensees to commercialise its proppant product, and deliver significant returns to shareholders.

About Proppants

Proppants are a sand-like commodity used to 'prop' open fractures in shale rocks which allows oil and gas to flow. Proppants are often the single largest cost item in the fracking process and represent a multi-billion dollar global market annually. Traditional ceramic proppants are made from clay and/or bauxite.

LWP Technologies ceramic proppants are majority manufactured from fly-ash, a by-product of coal fired power plants. The Company is of the view that its unique proppant product has the potential to lead the industry due to:

- the widespread abundant availability of fly-ash, often near to oil and gas shale resources;
- the ultra-light weight of LWP fly-ash proppants; and
- the ability of LWP proppants to withstand the very high pressures and heat of deep wells.

LWP proppants have been certified by Independent Experts to meet or exceed both the American Petroleum Institute standards and the ISO standards.