



QUARTERLY ACTIVITY REPORT – THREE MONTHS TO 31 DECEMBER 2014

ASX ANNOUNCEMENT

30 January 2015

Oil and gas technology company **Coretrack Limited (ASX: CKK)** (Coretrack, the Company) is pleased to provide the following update on development of Ecopropp Pty Ltd's (Ecopropp) flyash-based proppant for use in the hydraulic fracturing (fracking) of oil and gas wells, for the three month period to 31 December 2014.

Proppants are a sand-like commodity pumped into oil and gas wells under pressure to allow oil and gas to flow from ground fractures, and are a major input and cost item in the fracking of oil and gas wells. Proppants are typically made from clay and/or bauxite, and the annual global market for proppants is approximately USD\$2.5b⁽¹⁾.

Ecopropp's proppant is majority manufactured from fly ash, a by-product of coal fired power stations, and is expected to have lower manufacturing costs than traditional ceramic proppants. This places Ecopropp in a strong position to become a significant player in the global proppant market as oil and gas companies seek to reduce proppant costs to maintain profitability from oil and gas fracking operations in the current period of low oil prices.

Highlights for the December 2014 Quarter included:

- **Ecopropp proppants in the low oil price environment**
- **Construction of Ecopropp proppant Pilot Plant commenced – Proppant production expected Q2 2015**
- **Outstanding independent test results for Ecopropp proppant - Indicates potential for significant reduction in manufacturing costs**

Commenting on the December quarter, Coretrack executive director, Siegfried Konig, said:

"This has been a highly successful quarter for the Company. Notwithstanding the challenges presented by the current low oil price, Coretrack has continued to progress its plans to develop the Ecopropp proppant business, and the Company is very encouraged by the potential to deliver a low cost, high quality proppant which may help oil and gas companies maintain efficiency and profitability in their fracking operations. This represents a major opportunity for the Company."

Ref 1 : "2013 Proppant Market Report" – PropTester & Kelrick LLC (7.9b pounds per annum at assumed price of .32c per pound)

Ecopropp proppants in the low oil price environment

Against the current backdrop of low oil prices, Coretrack is pleased to update the market on the economics of proppants, and specifically of the Ecopropp, fly ash-based proppant product, in the fracking of oil and gas wells.

Oil and gas companies are currently seeking to implement efficiency measures to ensure the ongoing viability of their operations. As proppants are a key component and cost in fracking, particular attention is being paid to proppant cost relative to the overall fracking operation.

A 'proppant efficiency metric', the cost of proppant per barrel of oil equivalent during a well's first 90 days of operation, is used to measure the proppant cost of extracting hydrocarbons, and it follows that companies with a low proppant cost metric will be better placed to maintain profitability.

Given its anticipated lower manufacturing cost and lighter constituency, Ecopropp's proppant is well positioned, relative to traditional clay and/or bauxite based proppants, to deliver a low 'proppant efficiency metric' and help ensure the economic viability of the relevant fracking operations.

The Ecopropp proppant is expected to have a low manufacturing cost due to the widespread availability of fly ash, and its light weight-high strength constitution may deliver further significant cost advantages in transport costs, as customers will potentially receive a higher volume of proppant for an equivalent weight.

There are further potentially major logistics and transportation cost advantages, as it is intended that Ecopropp's fly ash will be sourced from coal fired power stations located close to the oil and gas fields. Transport costs for clay and bauxite based proppants can be a major cost component, as a number of source mines are located in China which represents significant shipping costs to US shale oil fields.

Coretrack is particularly mindful of current oil prices and the potential impact on fracking operations. It views the current oil price environment as a major opportunity for Ecopropp's fly ash-based proppant.

Construction of Ecopropp proppant Pilot Plant commenced

In December (ASX announcement, 3 December 2014) Coretrack announced that construction had commenced at Ecopropp's pilot-scale proppant manufacturing plant at Clontarf in Queensland.

This represented a significant milestone in the Company's plans to develop the Ecopropp proppant as a significant commercially available proppant for use in the fracking of oil and gas wells worldwide. The pilot plant is designed to validate the scalability of Ecopropp's unique flyash-based proppant.

Construction of the pilot plant is ongoing, with completion and the first production of proppants is scheduled to commence in Q2 2015.

External concrete works, office and laboratory construction have been completed as well as installation of the LPG gas supply.

Shipments of equipment started arriving three weeks ago and installation has commenced. All of the shipments have departed from the manufacturers, with deliveries anticipated over the next 2 weeks, and the last equipment shipment scheduled to arrive by 21 February.

The arrival of fly ash and other raw material feedstocks are imminent.

Ecopropp's German-based technical team arrived onsite on January 3rd 2015 to oversee the final stages of construction and take responsibility for the operations and management of the pilot plant.

Outstanding independent test results delivered for Ecopropp proppant

Also in December (ASX announcement, 17 December 2014) the Company reported highly positive results from the latest independent testing of Ecopropp's proppant.

The tests were designed to determine the maximum pressure the proppant could withstand before 10% or more of the proppant crushed or became "fines", a generally accepted market threshold.

The tests produced a best ever result for the Ecopropp proppant; a compressive strength of 15,000 PSI. This is significantly higher than the standard ISO threshold for achieving less than 10% fines, at 4000 PSI. The result equates to only 3.2% of the Ecopropp proppant being converted to fines at 10,000 PSI, compared to the ISO 3502-2 standard (of 4,000 PSI for proppant decomposition to fines of less than 10%).

The tests, which were conducted by US based Global Energy Laboratories, confirmed an exceptionally high pressure threshold for the Ecopropp proppants.

Coretrack was highly encouraged by the results of this testing. The results indicated the potential for a significant reduction in manufacturing costs for Ecopropp's fly ash-based proppant compared to traditional bauxite and/or clay-based proppants.

In addition to their high strength, Ecopropp's proppant is light weight, which also offers significant advantages over other proppant products. A further test to determine the "bulk density" of the Ecopropp proppant achieved a result of just 1.42 grams per cubic cm. This is significantly less than some of the major market participants and is expected to deliver significant advantages in logistics, as customers may potentially receive a higher volume of proppant for an equivalent weight.

About Proppants

Proppants are a sand-like commodity which are a major input and cost item in the fracking of oil and gas wells. Proppants are pumped into an oil and gas well under pressure to 'prop' open the tiny fractures created in hydrocarbon-bearing shale rocks during fracking, to allow oil and gas to flow from the ground fractures.

Traditional ceramic proppants are made from clay and/or bauxite. Ecopropp's ceramic proppant is majority manufactured from fly-ash, a by-product of coal fired power stations. The Company is of the view that Ecopropp's unique proppant product has the potential to lead the industry due to;

- the widespread availability of fly-ash;
- the fly-ash proppants' ultra-light weight; and
- its ability to withstand very high pressures in deep wells.

ENDS

For further information please contact;

Siegfried Konig
Executive Director
Ph: 0411 111 193
Email: s.konig@ecopropp.com

Winton Willesee
Chairman
Ph: (08) 9389 3180
Email: winton@azc.com.au

Media and investor relations

James Moses
Mandate Corporate
Ph: 0420 991 574
Email: james@mandatecorporate.com.au

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Coretrack Limited

ABN

80 112 379 503

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

| | | Current Quarter | Year to date (6 Months) |
|---|---|-----------------|----------------------------|
| | | \$A'000 | \$A'000 |
| Cash flows related to operating activities | | | |
| 1.1 | Receipts from Customers | - | - |
| 1.2 | Payments (a) for staff costs | (54) | (94) |
| | (b) for Advertising and marketing | - | - |
| | (c) for research and development | - | - |
| | (d) leased assets | - | - |
| | (e) other working capital | (159) | (346) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature Received | 2 | 5 |
| 1.5 | Interest and other costs of finance Paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other - GST Refunds | - | 32 |
| 1.8 | Net operating cash flows | (211) | (403) |

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

| | Current Quarter | Year to date |
|---|------------------------|---------------------|
| | \$A'000 | (6 Months) |
| | \$A'000 | \$A'000 |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | (115) |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | - |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | - |
| 1.11 Loan to other entities | (630) | (1,507) |
| 1.12 Loan repaid by other entities | - | - |
| 1.13 Other ((provide details if material) | - | - |
| Net investing cash flows | (630) | (1,623) |
| 1.14 Total operating and investing cash flows | (841) | (2,026) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc, net | 50 | 1,897 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | - | - |
| 1.18 Payment of borrowings | - | - |
| 1.19 Dividends paid | - | - |
| 1.20 Other - convertible notes redemption and interest | - | (54) |
| Net financing cash flows | 50 | 1,843 |
| Net increase (decrease) in cash held | (791) | (183) |
| 1.21 Cash at the Beginning of quarter/year to date | 1,421 | 813 |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at the end of quarter | 630 | 630 |
| Cash in the bank | 630 | 630 |

Payments to directors of the entity and associates of the directors

+ See chapter 19 for defined terms.

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 47 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | 1,507 |
| 1.26 | Explanation necessary for an understanding of the transactions | |
| | <p>The amount shown at item 1.24 includes director fees, company secretarial fees and office administration fees paid to directors or entities associated with directors.</p> <p>Loans to other entities shown at item 1.11 relate to funds advanced to unlisted proppant technology developer, Ecopropp Pty Ltd in accordance with the Deed of Option governing Coretrack's proposed acquisition Ecopropp as announced to the ASX on 12 May 2014.</p> | |

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

| | | Amount available \$A'000 | Amount used \$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities | | |
| 3.2 | Credit standby arrangements | | |

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|--------------------------|----------------------------|-----------------------------|
| 4.1 | Cash on hand and at bank | 460 | 74 |
| 4.2 | Deposits at call | 170 | 1,347 |
| 4.3 | Bank overdraft | | |
| 4.4 | Other (provide details) | | |
| Total: cash at end of quarter (item 1.23) | | 630 | 1,421 |

Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|-----|---|-----------------------------|
| 5.1 | Name of entity | N/A |
| 5.2 | Place of incorporation or registration | |
| 5.3 | Consideration for acquisition or disposal | |
| 5.4 | Total net assets | |
| 5.5 | Nature of business | |

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Joint Company Secretary)

Date: 30 January 2015

Print name: **Erlyn Dale**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

+ See chapter 19 for defined terms.

2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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