



LWP TECHNOLOGIES MARKET UPDATE

ASX ANNOUNCEMENT

22 February 2016

The high volume of LWP shares traded on Thursday last week, and the decrease in share price has prompted a number of questions by Shareholders, including speculation about the financial health of the Company, and several other topics. The Company hereby provides the following information to address those questions.

What has prompted the selldown and resultant decrease in share price?

As announced to the ASX on Thursday, the board is not aware of any significant change in LWP's financial position to that stated in the Australian roadshow 2 weeks ago. We are aware however, of unfounded negative comment about LWP on social media site Hot Copper, which we believe had a significant contributing effect on shareholder confidence.

Since the capital raising in July last year:

- the Brisbane pilot plant has been commissioned;
- the Company has succeeded in proving industrial scale up is possible for the technology;
- the development plan and budgets for the upgrade to the Hallmark factory have been completed;
- proppants were sent to US Expert laboratories for testing, and outstanding test results have been received;
- the CEO for the Americas has been appointed; and
- the National and International roadshow has commenced.

Based on the capital raising in 2015, the board is of the view that the average price paid by shareholders for LWP shares was in the order of .08 to 1.1 cents per share. If LWP shares represented good value for investors at 1.1 cents/share, and LWP has made significant progress since that time, we can see no logical reason why Shareholders are selling.

Given the progress made to date, the directors are of the opinion that the market has not correctly priced the value and potential of the company.

Is the Company in trouble / is everything OK at LWP?

LWP is in a robust financial position, with circa \$5.5 million in cash, no debt, and the Brisbane pilot plant fully paid for.

Despite stating during our Roadshow presentation that LWP is not seeking additional capital, two offers of funding have been received. One offer is for \$4 million to be invested over an 18 month period, and another for \$10 million to be invested at our call over a 3 year period. The Company is cognizant of the large number of shares on issue and the dilutionary effect of raising further capital therefore the board is not considering additional funding at this time.

The board is encouraged that despite the volatility in Global sharemarkets, institutional investors and funds are seeking to take a significant position in the Company.

The Australian Tax Office has concluded its audit of LWP. In the 2015 Annual Report, LWP provided for tax of \$957,454 for an ongoing dispute with the Australian Tax Office, which has now been resolved. The financial outcomes are that there will be a write back in the Half Year Accounts of approximately \$736,000 to profit.

Further, LWP expects to boost its cash position by approximately \$1.6 million by receiving its Research & Development claims for the 2013/14 and 2014/15 tax years in this half of the Financial Year with the funds to be taken to account in the 2016 Annual Report. That \$1.6 million has not yet been brought to account in the financial statements, and will not be, until the funds are received.

Additionally, LWP will make a further Research & Development claim for the 2015/2016 financial year in due course with expectation that a further \$1 million (approximately) will be claimed in the later half of 2016.

Any good news from the roadshow?

The roadshow has been in planning since September 2015, awaiting successful LWP proppant test results to be confirmed by independent experts. The Company was unable to effectively commence promoting its technology to potential licensees until the experts test results had been received. Those exceptional test results were announced to the market on 31 January, and the roadshow commenced 1 February.

In the 2 weeks since then, LWP has received positive feedback from attendees at the Australian roadshow, and the 2 conferences we attended in Houston.

What has become evident is there is significant appetite by the oil and gas services industry for early adoption of new innovative technologies, if it means saving money. With oil at circa \$100/barrel, many new technologies were “interesting”, but adoption was unhurried. Now, the entire industry is focused on producing at the lowest cost. If a new technology can potentially save oil and gas companies money, they are keenly interested in learning more.

This trend towards early adoption of cost saving technologies places LWP in an extremely advantageous position.

Potential customers and licensees have shown strong interest in LWP’s technology because fly ash proppants can potentially deliver significant value due to their low cost price, high strength and light weight attributes, delivering significantly reduced product and logistics costs whilst maintaining like for like performance compared to traditional bauxite/clay ceramic proppants.

The Company is following up several enquiries in the USA, Saudi Arabia, further states in India, Australia and New Zealand, however, most of these discussions are at an early stage, and at this point none of these discussions are at a point that requires further disclosure to Shareholders.

Have any of the Top 20 Shareholders sold out? Has EAS Advisors sold out?

There has been considerable speculation whether the 20 LWP Shareholder Base of LWP were involved in the recent selldown, in particular whether in fact EAS Advisors has sold out and left the LWP register.

To quell these erroneous rumours, please find attached the Top 20 Shareholder list for LWP Technologies Limited as of Friday 19 February 2015. Compared to the Top 20 disclosure in the 2015 Annual Report, this latest Top 20 list shows that all of the Top 20 Shareholders are still on the register now, 16 with the same or increased holdings, with the remaining 4 Shareholders remaining on the register but with reduced holdings. EAS Shareholding remains the same.

The Top 20 Shareholders collectively hold 1,353,292,742 shares, which represents 34.54% of LWP’s issued capital and is an increase of 1.98% over what the Top 20 held at the time of the Annual Report.

Is the board considering a capital consolidation?

We have recently been asked about capital re-organisation or consolidation on several occasions and would like to re-affirm our view, borne from significant experience in listed companies, that consolidations usually only deliver benefits to Shareholders on the back of substantial good news and continued good news flow going forward. Until the Company is in that position, the board will not be entertaining a consolidation, therefore we can confirm there is no consolidation on the horizon in the near term.

How is the Indian Joint Venture progressing?

All planning and pre-engineering for the plant expansion and conversion has been undertaken and completed, however, before further expenditure is undertaken on the project, the Company has decided, in conjunction with our joint venture partners, to wait until there is some recovery in the oil price, or firm offtake commitments have been secured for the product that will be produced from the Pune plant.

We are firmly committed to the Pune manufacturing plant moving forward in the near term, and are in early stage discussions with potential offtake partners. As soon as a decision has been made to proceed, we expect that the plant will produce revenue for the Company within a year of commencing refurbishment.

What are the loans in the quarterly 4C?

There have been questions regarding the loans shown in the quarterly Appendix 4C Statements, with speculation that the loans are loans to directors. It can be categorically stated that no loans have been made to directors of the Company.

The loan amounts include employee loans of \$250,000 relating to a combination of relocation expenses and loans associated with the July 2015 capital raising. Regrettably there has been changed circumstances and the company holds shares as security. Additionally there is a short term loan of \$300,000 with potential high returns, which has been secured by way of a fixed and floating charge. Despite the security, repayment is well overdue, therefore we have made a provision for this loan in the half year accounts, and remain optimistic of some return.

What is the status regarding the dispute with the neighbour at Clontarf Brisbane?

As outlined in LWP's Annual Report and our response to the ASX on the 18th February, LWP Technologies has had ongoing complaints from a single neighbor regarding the operations of our pilot plant at Clontarf in Northern Brisbane. The plant is located in the General Industry Zone within an Industrial Zone of Moreton Bay Council. The neighbour made a number of complaints to Local and State Statutory Authorities, initially regarding noise.

The Company employed sound and audio experts who recommended ways to reduce noise and undertook the recommendations immediately. After the noise abatement works were completed, the Council employed their own audio experts after which the Company received communication from the Council that the noise level is acceptable by Council and compliant with regulations.

Subsequently, the neighbour complained to other Statutory authorities including the noise being still too loud, unsafe building structures, excess heat, smoke, dust, waste disposal, odour and contamination of storm water. These allegations are simply untrue.

When the neighbour had exhausted all local and State complaint mechanisms, the neighbour then petitioned the Supreme Court for an Interlocutory Injunction to stop the Company from operating its Clontarf pilot plant. The Supreme Court refused the neighbour's injunction on Thursday last week, and the neighbour's action failed.

Despite numerous early attempts at communication, the neighbour continued with the litigation, notwithstanding the substantive works that have been undertaken by the Company. The Company is preparing a costs order for submission against the neighbour to the Supreme Court, and intends to lodge that costs order in the Supreme Court within 7 days.

What's happening at the pilot plant?

Further product development has been ongoing in the pilot plant, testing various fly ash from prospective licensee areas for the business including Australia and Texas.

An area of high interest is to develop proppants with a lower crush strength (circa 8,000 Psi) using minimal bauxite (a high cost input item) to compete in markets where mined frac sand is imported. The high transport and logistics costs of importing frac sand to Australia from the US provides an excellent potential opportunity for an Australian LWP licensee to manufacture and sell a far superior product at a similar price point to mined frac sand.

To that end our R&D team has been testing local Queensland flyash at the pilot plant, and the initial in-house laboratory test results show excellent promise. Detailed manufacturing cost estimates are underway.

Until now, LWP has been primarily focused on competing in the ceramic proppant market, however, the ability to deliver a superior product and compete on price with imported mined frac sand allows LWP access to a large portion of the proppants market not previously envisaged.

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 (fracking) 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 fracking operations currently. The Company commenced proppant production from its pilot scale proppant manufacturing plant in Queensland, Australia, in Q3, 2015. LWP plans to seek joint venture partners and/or licensing agreements 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.

LWP TECHNOLOGIES LIMITED

Rank	Name	Units	% of Units
1.	MR SIEGFRIED BERNHARDT KONIG + MRS SANDRA ANN KONIG <SK SUPERANNUATION FUND A/C>	370,607,741	9.46
2.	COPIA BARL CORP	93,338,258	2.38
3.	ABSOLUT ZERO AUSTRALIA PTY LTD	86,143,515	2.20
4.	COMSEC NOMINEES PTY LIMITED	75,144,282	1.92
5.	MR BRADLEY JOHN CHAPMAN	72,163,670	1.84
6.	EAS ADVISORS LLC	69,087,477	1.76
7.	MR ROBIN GERALD ARMSTRONG <RG ARMSTRONG SUPER FUND A/C>	61,000,000	1.56
8.	SAYERS INVESTMENTS (ACT) PTY LTD	55,454,545	1.42
9.	MR ILYA MARTINALBO <THE SONALBOS A/C>	53,526,189	1.37
10.	TERRA ROYALTY LLC	51,143,623	1.31
11.	DENTOST PTY LTD	49,938,723	1.27
12.	SMART G FINANCE PTY LTD	45,266,194	1.16
13.	ATEQ INVESTMENTS PTY LTD	44,807,428	1.14
14.	MR RONALD P ZAPLETAL <SUSAN P ZAPLETAL FAMILY 2012 G>	38,694,844	0.99
15.	JBWERE (NZ) NOMINEES LIMITED <43941 A/C>	33,181,818	0.85
16.	YORLAT PTY LTD <GOBBERT SUPER FUND A/C>	32,662,513	0.83
17.	MRS FIONA LANGSFORD CERIC	31,185,000	0.80
18.	TPG AUSTRALASIA PTY LTD	31,066,732	0.79
19.	FLOTECK CONSULTANTS LIMITED	30,000,000	0.77
20.	STST PTY LTD <SCHOCHCO SUPER FUND A/C>	28,880,190	0.74
Totals: Top 20 holders of ORDINARY SHARES (TOTAL)		1,353,292,742	34.54
Total Remaining Holders Balance		2,564,723,950	65.46