



UPDATE ON LICENSEE AND OFFTAKE AGREEMENTS

ASX ANNOUNCEMENT

13 April 2016

Oil & Gas technology company, LWP Technologies Limited (ASX: LWP) (“LWP” or “the Company”), provides this update to shareholders on commercial inquiries from potential licensees, off-take and joint venture partners that are assessing the Company’s proprietary fly-ash proppant for use on hydraulic fracturing in oil and gas exploration and well development works.

LWP’s Board is mindful of the fact that a commercial agreement will be a key value driver for the Company, and advancing these negotiations is the main priority. LWP can confirm that it is pursuing multiple negotiations, however, these negotiations with various parties are likely to take longer than some shareholders anticipate.

A typical process of securing a potential partner is set out below, and this can take up to approximately 24 months. LWP is at different stages of the process with a number of parties:

- **Step 1:** LWP receives interest from a potential licensee/JV partner in a specific geographical region.
- **Step 2:** Both parties enter in to a non-disclosure agreement and commence preliminary discussions on the opportunity within that geographical region.
- **Step 3:** LWP conducts financial and operational due diligence on the potential licensee (a single greenfield proppant plant typically represents an upfront capital investment of A\$30-70 million ranging on the annual output plus LWP’s upfront licence fee).
- **Step 4:** LWP conducts initial lab trials with up to 100 kilograms of flyash, to assess suitability of the coal fired power plant nearest to the potential proppant plant which is typically located within the shale play or anticipated local market. The testing period typically takes between 30-90 days to optimise the mix and design and sintering curve specific for those raw materials.
- **Step 5:** Final negotiation of commercial agreements including upfront licence fee plus ongoing royalty agreement and responsibilities (i.e., joint-venture partner, minor partner, or consulting on the new plant).
- **Step 6:** LWP then would source around 10 tonnes of material for trials at the Brisbane Pilot Plant facility to ensure that the mix design will operate under scale-up conditions and to demonstrate the process with the prospective licensee. This testing period typically would take between 30-90 days.
- **Step 7:** Modification of an existing manufacturing facility or Greenfields facility (12-18 month build) and then commence receiving royalty payments after sales.

Off-take Agreement(s) – Indian joint venture

LWP is also engaged with potential buyers regarding off-take agreements for production from the Indian joint venture facility.

As proppants are often the single largest cost factor in the hydraulic fracturing of unconventional oil and gas wells, negotiations with potential off-take partners are price-driven. Given the drop in the oil price, there has been a trend away from deep wells to shallower wells. Deep wells require ceramic proppants, however shallower wells can use the cheaper mined frac sand.

LWP Chairman Siegfried Konig said: “LWP’s proppant technology can be modified to produce lower strength proppants at very low cost, and those proppants can compete with mined frac sand on price in geographical areas where logistic and transportation costs of mined sand proppants are expensive.”

“Those proppants would still be far stronger than mined sand and far more spherical, with increased conductivity. That is why the ASX announcement of Monday 11 April 2016 is so significant to the Company’s prospects.”

“At present the most likely place to produce would initially be the Indian joint venture facility. From the time off-take orders are secured, and the plant upgrade subsequently commences, a time frame of around 12 months is expected until revenue is generated.”

“We are encouraged by the progress being made and are satisfied with the negotiations that are underway. We will update shareholders on the progress of these discussions and other material developments. We reiterate that LWP is well funded to pursue its commercial and operational objectives.”

- 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 fracking 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 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 (API) standards and the ISO standards.