



## ShieldLiner Limited

ACN 096 870 978

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26 August 2004

The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited

**ASX Announcement**  
**30 June 2004 Preliminary Final Report – Appendix 4E**

Please find attached the Company's Preliminary Final Report for the year ended 30 June 2004.

John Hassen  
Managing Director

**SHIELDLINER LIMITED**  
**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**1. Details of the reporting period.**

This report details the financial results of ShieldLiner Limited ("the Company") for the year ended 30 June 2004. Comparatives are for the year ended 30 June 2003. The Company had no controlled entities for either reporting period.

**2. Results for announcement to the market.**

		<b>2004</b>	<b>2003</b>	<b>Change</b>
		<b>\$</b>	<b>\$</b>	<b>Up</b>
				<b>(Down)</b>
2.1	Revenue from ordinary activities	6,736	58,500	(768%)
2.2	(Loss) from ordinary activities after tax attributable to members	(149,107)	(173,686)	16%
2.3	Net profit for the period attributable to members	(149,107)	(173,686)	16%
2.4	Final dividend per share	Nil	Nil	Nil
	Earnings per share	(\$0.0041)	(\$0.0068)	

**2.5 Record date for dividend**

Not Applicable

**3, 4 & 5 – Financial Performance, Financial Position & Cash Flows**

Unaudited Financial Statements together with accompanying notes that should be read in conjunction with the financial statements follow.

**SHIELDLINER LIMITED**  
**ACN 096 870 978**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2004**

	<b>Note</b>	<b>2004</b>	<b>2003</b>
		<b>\$</b>	<b>\$</b>
Revenue from ordinary activities	2	6,736	58,500
Research and development costs		65,659	210,121
Core technology and patent costs amortisation		41,456	70,929
Depreciation expense		5,194	2,995
Legal fees		9,117	6,017
Audit fees		4,500	4,000
Interest		3,808	-
Other expenses from ordinary activities		68,693	43,371
		<u>198,427</u>	<u>337,433</u>
Loss from ordinary activities before income tax		(191,691)	(278,933)
Income tax revenue relating to ordinary activities	5	42,584	105,247
Net Loss	13	<u>(149,107)</u>	<u>(173,686)</u>

**SHIELDLINER LIMITED**  
**ACN 096 870 978**

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2004**

	Note	2004 \$	2003 \$
<b>Current Assets</b>			
Cash Assets	6	45,770	55,463
Receivables	7	164,936	213,551
<b>Total Current Assets</b>		<u>210,706</u>	<u>269,014</u>
<b>Non-Current Assets</b>			
Plant and Equipment	8	5,540	9,050
Intangible assets	9	606,881	596,640
<b>Total Non-Current Assets</b>		<u>612,421</u>	<u>605,690</u>
<b>Total Assets</b>		<u>823,127</u>	<u>874,704</u>
<b>Current Liabilities</b>			
Payables	10	48,093	99,414
<b>Total Current Liabilities</b>		<u>48,093</u>	<u>99,414</u>
<b>Non Current Liabilities</b>			
Payables	10	351,050	375,712
Deferred Tax Liabilities	11	82,024	66,011
<b>Total Non Current Liabilities</b>		<u>433,074</u>	<u>441,723</u>
<b>Total Liabilities</b>		<u>481,167</u>	<u>541,137</u>
<b>Net Assets</b>		<u>341,960</u>	<u>333,567</u>
<b>Equity</b>			
Contributed Equity	12	735,500	578,000
Accumulated Losses	13	(393,540)	(244,433)
<b>Total Equity</b>		<u>341,960</u>	<u>333,567</u>

**SHIELDLINER LIMITED**  
**ACN 096 870 978**

**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2004**

	Note	2004 \$	2003 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		-	57,200
Payments to suppliers and employees		(163,908)	(258,454)
R&D tax concession refunds received		210,119	-
Interest paid		(3,808)	-
Interest received		6,736	5,466
Net cash (used in)/provided by operating activities	14	<u>49,140</u>	<u>(195,788)</u>
<b>Cash Flows From Investing Activities</b>			
Purchase of plant and equipment		(1,684)	(10,408)
Payments in respect of patent costs capitalised		(80,112)	(129,618)
Net cash (used in) investing activities		<u>(81,796)</u>	<u>(140,026)</u>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issues of shares		160,000	165,000
Payment of share issue expenses		(2,500)	-
Prepayment of capital raising costs		(100,786)	-
Repayment of loans		(33,750)	-
Net cash provided by financing activities		<u>22,964</u>	<u>165,000</u>
<b>Net Increase (Decrease) In Cash Held</b>		<u>(9,693)</u>	<u>(170,814)</u>
Cash at the beginning of the period		55,463	226,277
Cash at the end of the period	6	<u>45,771</u>	<u>55,463</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

**1. Summary of Significant Accounting Policies**

This financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report covers the economic entity comprising solely, ShieldLiner Limited. ShieldLiner Limited is an unlisted public Company incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in preparing the financial report. These policies have been consistently applied by the Company unless otherwise stated.

**a) Income Tax**

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**b) Research and Development Expenditure**

Research and development costs are either charged against the results from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs. Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

**c) Property, Plant and Equipment**

Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation.

***Plant and equipment***

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the employment and subsequent disposal of the assets. The expected net cash flows have not been discounted to present values in determining the recoverable amount.

***Depreciation***

The depreciable amount of all fixed assets are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable asset are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	10% to 50%
Office equipment	20% to 37.5%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

**d) Intangibles - Licences, Patents And Rights To Technology Assets**

The Directors are of the opinion the carrying amount of these assets does not exceed the recoverable amount and the future benefits are expected to equal or exceed the carrying value plus any future costs necessary to give rise to the future benefit. The licences, patents and technology assets are valued at cost less accumulated amortisation and the carrying value is reviewed regularly to ensure it is not in excess of its recoverable amount. The basis of amortisation employed is determined by reference to the benefits expected to arise from the sale or use of the product. The assets are being amortised over 20 years from the date of the original patent application in order to match amortisation costs with related benefits.

**e) Receivables**

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

**f) Accounts Payable**

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

**g) Employee Benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and are capable of being measured reliably. Provisions made in respect of wages and salaries, annual leave, sick leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values. Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date. Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

**h) Financial Instruments**

Where applicable, debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments.

**i) Cash Flows**

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held at call with banks and investments in money market investments, net of bank overdrafts.

**j) Revenue Recognition**

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest Income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

**k) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

	2004 \$	2003 \$
<b>2. Revenue</b>		
Operating Activities		
Grant received	-	52,000
Interest received	6,736	6,500
Total Revenue	6,736	58,500
<b>3. Loss from ordinary activities before income tax expense has been determined after:</b>		
(a) Expenses		
Remuneration of auditors of Company		
Auditing the financial statements	4,500	3,500
Other services	-	-
In prepaid capital raising costs (Note 7) is an amount of \$3,500 paid to the Auditors for the preparation of an Investigating Accountant's Report.		
<b>4. Remuneration of Directors</b>		
The Directors of Shieldliner Limited in office at any time during the period were:		
JW Hassen		
NDB Graham		
WJ Land		
TA Gosatti		
AM Zuiderwyk		
The aggregate of income paid or payable, or otherwise made available, in respect of the financial period, to all Directors of the Company, directly or indirectly, by the Company of which they are Directors or by any related party	-	6,000
The number of Directors of the Company whose total income falls within each \$10,000 band of income:		
\$0 - \$9,999	5	4

There were no retirement benefits paid to any Director of the Company.

In addition to Directors fees amounts were paid or payable to companies in which Directors have interests for the provision of goods and services on normal commercial terms and the details of these amounts are included in Note 15.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

	<u>2004</u>	<u>2003</u>
	\$	\$
<b>5. Income Tax</b>		
The prima facie income tax expense (benefit) on the loss from ordinary activities reconciles to the income tax expense in the financial statements as follows:		
(a) Loss from ordinary activities	(191,691)	(278,933)
Income tax (benefit) calculated at 30% of operating loss	(57,507)	(83,680)
Future income tax benefit attributable to tax losses not brought to account	29,534	-
Tax effect of permanent items – non-deductible expenses	658	66
Tax effect of permanent items – capital raising costs	(6,197)	-
Tax effect of permanent items – R&D tax concession	(9,072)	(20,527)
Net future income tax benefit not previously brought to account	-	(785)
Prior period adjustment	-	(321)
Income tax credit attributable to operating loss	<u>(42,584)</u>	<u>(105,247)</u>

The income tax credit attributable to the operating loss is primarily represented by the Company's entitlement to a cash tax rebate in respect of eligible deductions for research and development expenditure.

(b) Future income tax benefits and deferred taxation liability

A net deferred taxation liability attributable to timing differences amounting to \$82,024 (2003 - \$66,011) has been recognised. The deferred tax liability arises primarily due to timing differences in amortising the costs of patents and rights to technology assets in determining the Company's entitlement to a cash tax rebate in respect of eligible deductions for research and development expenditure. The Company has not recognised future income tax benefits amounting to \$29,534 (2003- Nil) attributable to income tax losses. The Company has no future income tax benefits attributable to capital losses. The future income tax benefits attributable to tax losses not brought to account will only be obtained if the Company derives assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised; conditions for deductibility imposed by the law are complied with; and no changes in tax legislation adversely affect the realisation of the benefit from the tax losses.

	<u>2004</u>	<u>2003</u>
	\$	\$
<b>6. Cash Assets</b>		
Cash at bank	<u>45,770</u>	<u>55,463</u>
<b>7. Current Receivables</b>		
Prepaid capital raising costs (Note 17)	100,786	-
Sundry debtors and prepayments	5,553	4,200
Taxation rebate for research and development expenditures	58,597	209,351
	<u>164,936</u>	<u>213,551</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>8. Plant and Equipment</b>		
Office equipment at cost	7,518	6,214
Accumulated depreciation	<u>(3,286)</u>	<u>(1,164)</u>
	<u>4,232</u>	<u>5,050</u>
Plant and equipment at cost	6,380	6,000
Accumulated depreciation	<u>(5,071)</u>	<u>(2,000)</u>
	<u>1,309</u>	<u>4,000</u>
	<u>5,541</u>	<u>9,050</u>

Movement in Carrying Amounts:

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current period:

	<b>Office equipment</b>	<b>Plant and Equipment</b>	<b>Total</b>
Balance at the beginning of the period	5,050	4,000	9,050
Additions	1,304	380	1,684
Disposals	-	-	-
Depreciation expense	<u>(2,123)</u>	<u>(3,071)</u>	<u>(5,194)</u>
Carrying amount at the end of the period	<u>4,232</u>	<u>1,309</u>	<u>5,541</u>

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>9. Intangible Assets</b>		
Patents and rights to technology at cost	719,266	667,569
Accumulated Amortisation	<u>(112,385)</u>	<u>(70,929)</u>
	<u>606,881</u>	<u>596,640</u>

The recovery of the carrying value of the technologies is dependent upon profit earned from licensing and/or sales of the technologies. The carrying values of the ShieldLiner technology is reviewed annually to ensure the carrying value is not in excess of its recoverable amount.

The patent costs and rights to technology are being amortised over 20 years from the date of the original patent application, namely 16 May 2001 in order to match amortisation costs with related benefits.

Pursuant to an Option Deed – Transfer and Cross-Licence of Technology Assets between Sord Technologies Limited (“STL”) and ShieldLiner Limited (“SLC”) dated 29 January 2002 (“Option Deed”), STL granted SLC the option to purchase the ShieldLiner™ technologies. The Option Deed provided that if the option was exercised, the consideration payable by SLC to STL for the purchase of the ShieldLiner™ Technologies was \$500,000, plus a royalty of 4% of revenues received by SLC once its cumulative gross revenues reach \$2,500,000 following settlement of the transfer of the ShieldLiner™ technologies. The option was exercisable prior to 15 February 2002 and was exercised by SLC on 4 February 2002.

The consideration of \$500,000 was payable by a deposit of \$100,000 upon exercise of the option with the balance of \$400,000 being payable at the rate of 15% of the proceeds received on or before 31 December 2002 from any capital raisings carried out by SLC and any government grants received by SLC for the purpose of enabling it to develop and commercially exploit the ShieldLiner™ Technologies.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

**9. Intangibles (continued)**

The Option Deed provided that SLC must pay no less than 15% of the total proceeds received from each such capital raisings or government grants to STL until the \$400,000 balance has been paid in full. If the balance had not been paid in full by 31 December 2002, the outstanding amount became due and payable on that date. The amount due by SLC to STL is secured by way of a fixed and floating charge over the assets of the Company.

On 14 November 2002 Sord Technologies Limited agreed to revise the payment terms and conditions of the \$400,000 due to Sord Technologies Limited for the balance of the purchase consideration for the ShieldLiner™ System. The date for the repayment of the debt was extended to 31 December 2003 and the debt became interest bearing at a rate of 6% from 1 July 2003 if not repaid before that date.

On 9 September 2003 the payment terms and conditions were again renegotiated so as to align them more with the success of future capital raisings, remove the short dated deadline for repayment and also remove the obligation to pay interest on the outstanding amount. The Company now has an obligation to pay amounts of not less than 10% of monies received by way of the issuance of shares in the Company until an amount equal to the outstanding debt has been paid and the period for the total discharge of the debt extended until the date on which the first royalty payment pursuant to the original acquisition agreement becomes payable. The requirement to apply 15% of government grant receipts in debt reduction has also been removed. The security arrangements remain unaltered.

Pursuant to the Option Deed, STL granted SLC a royalty-free perpetual licence to use all of STL's mining-related technology (including the construction and civil engineering technology assets known as "ZipSeal" and "Shield", but excluding the technology known as SORDMiner) insofar as this technology has application or potential application to the development of pipe lining technology by SLC. Similarly, the Option Deed provides that SLC agrees to grant a royalty-free perpetual licence to STL to use the ShieldLiner™ Technologies to the extent that it has application or potential application to any commercial activity carried on by STL other than pipe lining.

During the year ended 30 June 2004 SLC capitalised costs paid or payable to its patent attorneys amounting to \$51,697 (2003: \$167,569). These costs represented initial patent application fees, examination fees and associated professional fee costs in respect of SLC's applications for patents in some 20 countries.

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>10. Payables</b>		
<b>Current</b>		
Unsecured trade creditors	29,527	69,514
Sundry creditors and accruals	3,366	3,500
Amount owing to JW & LM Hassen	-	26,400
Amount owing to SORD Technologies Limited – (secured note 9)	15,200	-
	48,093	99,414
<b>Non Current</b>		
Amount owing to SORD Technologies Limited – (secured note 9)	351,050	375,712
	351,050	375,712
<p>The amount owing to Sord Technologies Limited was reduced subsequent to 30 June 2004 by the payment of \$255,200 from the proceeds of the prospectus issue referred to in Note 17.</p>		
<b>11. Deferred Tax Liabilities</b>		
<b>Non Current</b>		
Provision for deferred income tax (note 5)	82,024	66,011
	82,024	66,011

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

<b>12. Contributed Equity</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Fully paid ordinary shares	<u>735,500</u>	<u>578,000</u>

<b>Movements since incorporation</b>	<b>Issue Price</b>	<b>Number of Shares</b>	<b>Amount Subscribed</b>
Issued on incorporation to Sord Technologies Ltd - Note (a)	1 cent	1,000,000	10,000
Issued to JW & LM Hassen - Note (b)	3 cents	65,000	1,950
Issued to Golden Rivers Mining Pty Ltd - Note (b)	3 cents	35,000	1,050
Issued to Gosatti Corporation Pty Ltd - Note (c)	\$2.50	25,000	62,500
Issued to Gosatti Corporation Pty Ltd - Note (c)	\$4.00	9,375	37,500
Issued to National Power Services (WA) Pty Ltd - Note (c)	\$2.50	75,000	187,500
Issued to National Power Services (WA) Pty Ltd - Note (c)	\$4.00	28,125	112,500
Balance 30 June 2002		1,237,500	\$413,000
Issued to National Power Services Pty Ltd – Note (d)	\$4.00	25,000	100,000
Issued to TA & MR Gosatti – Note (d)	\$4.00	16,250	65,000
Balance 30 June 2003		1,278,750	\$578,000
Issued to National Power Services (WA) Pty Ltd	\$4.00	2,000	8,000
Issued to TA & MR Gosatti – Note (d)	\$4.00	8,750	35,000
Issued to Hasman Investments Pty Ltd – Note (d)	\$4.00	10,000	40,000
Issued to WJ Land – Note (d)	\$4.00	2,500	10,000
Issued to sundry non- associated shareholders	\$4.00	16,750	67,000
Share issue expenses			(2,500)
Sub total		1,318,750	735,500
20 for 1 share split approved 18 December 2003		26,375,000	-
Balance 30 June 2004		26,375,000	\$735,500

On 5 August 2004 the Company issued a further 9,600,000 shares at 25 cents each pursuant to a prospectus dated 9 May 2004. As a consequence of this share issue the Company also granted 1,200,000 options to acquire 1,200,000 fully paid ordinary shares in the Company. Refer to note 17 for additional information.

**Notes**

- (a) These were transferred to Sord Technologies Limited shareholders pursuant to a rights entitlement issue prospectus dated 18 March 2002. The entitlement issue was underwritten jointly by JW&LM Hassen and Golden Rivers Mining Pty Ltd pursuant to approvals granted at a meeting of Sord Technologies Limited shareholders held on 31 January 2002.
- (b) These shares were issued pursuant to approvals granted at a meeting of Sord Technologies Limited shareholders held on 31 January 2002.
- (c) These shares were issued pursuant to the Share Subscription Agreements entered into by the Company with Gosatti Corporation Pty Ltd And National Power Services WA Pty Ltd.
- (d) These shares were issued to raise additional working capital and where necessary, the required shareholder approvals were obtained.

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>13. Accumulated Losses</b>		
Opening Accumulated Losses	(244,433)	(70,747)
Net loss from ordinary activities for the year	<u>(149,107)</u>	<u>(173,686)</u>
Closing Accumulated Losses	<u>(393,540)</u>	<u>(244,433)</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

14. Cash Flow Information	2004 \$	2003 \$
Reconciliation of cash flows from operations with loss from ordinary activities after income tax		
Loss from ordinary activities	(149,107)	(173,686)
Depreciation	5,194	2,995
Amortisation of patent and technology rights	41,456	70,929
Changes in assets and liabilities:		
Decrease (Increase) in current receivables	149,401	(172,580)
Increase in provision for deferred tax	16,013	66,011
(Decrease) Increase in current payables	(13,817)	10,543
Net cash generated (used) in operating activities	49,140	(195,788)

**15. Related Party Disclosures**

(a) Directors who held office during the year were as follows:

JW Hassen	NDB Graham (until 3 May 2004)	WJ Land
TA Gosatti	AM Zuiderwyk (from 3 May 2004)	

(b) Remuneration and retirement benefits of Directors

Details of remuneration and retirement benefits paid to Directors or fees paid or payable to companies in which the Directors have interests are disclosed in Notes 15 (e) and (g) below.

(c) Directors Equity Holdings

The Directors or their associated entities had interests in the following shares and options at 30 June 2004;

Shareholder	Director or Former Director	Shares	Options
Gosatti Corporation Pty Ltd	<i>TA Gosatti</i>	687,500	-
TA & MR Gosatti	<i>TA Gosatti</i>	500,000	-
WJ Land	<i>WJ Land</i>	50,000	-
Hasman Investments Pty Ltd	<i>JW Hassen</i>	200,000	-
JW & LM Hassen	<i>JW Hassen</i>	3,295,900	-

Refer to note 17 for additional information in respect of the post 30 June 2004 interests of the Directors or their associated entities in shares and options issued by the Company.

(d) Related Parties

The entities as noted below are considered to be related parties by virtue of the Directors of ShieldLiner Limited being either Directors or former Directors of the entities.

Entity	JW Hassen	NDB Graham	WJ Land	TA Gosatti	AM Zuiderwyk
Quickstep Technologies Pty Ltd	Until 11.04.03	√	√		
Sord Technologies Limited	Until 14.04.03	√	√		
Premium Corporation Pty Ltd				√	
National Power Services Pty Ltd					√
Decta Holdings Pty Ltd		√			
Hasman Consulting Pty Ltd	√				

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

(e) Transactions with related parties

The Company entered into the following transactions on normal commercial terms and conditions with the Directors or companies in which Directors have interests.

Party	2004 \$	2003 \$	Particulars
Hasman Consulting Pty Ltd	2,685	3,880	Accounting and bookkeeping fees for services rendered by staff of Hasman Consulting Pty Ltd other than JW Hassen
Hasman Consulting Pty Ltd	92,000	41,168	Project management, administration, company secretarial services, prospectus preparation and issue management and marketing
Quickstep Technologies Pty Ltd	-	12,911	Rent of office and factory facilities, electricity and phone and sundry cost reimbursements
Sord Technologies Limited	-	2,239	Sundry office cost reimbursements
Sord Technologies Limited	3,808	-	Interest
Sord Technologies Limited	7,750	-	Part Repayment of Company loan balance
Premium Corporation Pty Ltd	520	3,770	Purchase of pipes
National Power Services Pty Ltd	880	-	Equipment hire
JW & LM Hassen	-	26,400	Interest free loan made by JW & LM Hassen to the Company which was utilised to offset the Company's indebtedness to Sord Technologies Limited.
JW & LM Hassen	26,400	-	Repayment of loan from JW & LM Hassen
Decata Holdings Pty Ltd	5,145	35,463	Prototype design services, patent portfolio management, development program coordination

In addition an amount of \$nil (2003 - \$18,200) was paid in respect of research and development consultancy services rendered by Offshore Marine Pty Ltd, a company in which Mr ABD Graham has an interest. Mr ABD Graham is the father of Mr NDB Graham, a former Director of the Company.

Alliance Agreement

On 12 January 2004 the Company entered into a non exclusive Alliance Agreement with National Power Services Pty Ltd ("NPS"), and Premium Corporation Pty Ltd ("Premium"), (collectively "the Parties") to jointly utilise and commercialise the ShieldLiner™ System within Australia. As noted above Messrs Zuiderwyk and Gosatti are directors of NPS and Premium respectively. The initial term of the agreement is for two years and by mutual agreement the initial term can be extended for a further year.

NPS is subsidiary of Alinta Limited, a shareholder in the Company and has contracting resources and expertise in the gas, electrical and telecommunications industries. Premium has contracting resources and expertise in the water and sewerage industry and an associated company of Premium is also a shareholder in the Company.

The agreement documents the broad principles associated with jointly utilising and commercialising the ShieldLiner™ System within Australia whereby the Parties have agreed to work together in a co-operative manner to market the ShieldLiner™ System (either individually or collectively) to customers, with a view to securing and then undertaking contracts (either individually or collectively) for rehabilitating pipes utilising the ShieldLiner™ System. The agreement documents the intention of the Parties to collectively bid for and undertake contracts utilising the ShieldLiner™ System and to share in a manner stipulated in the agreement the risks and rewards associated with such contracts. Any intellectual property enhancements to the ShieldLiner™ System developed as a consequence of the Alliance vest in the Company.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

(f) Amounts Payable to Related Parties

The following amounts were owing to related parties at year end;

Party	2004 \$	2003 \$
Hasman Consulting Pty Ltd	272	9,436
Quickstep Technologies Pty Ltd	11,027	12,208
Sord Technologies Limited – (secured Note 9)	366,250	373,600
Sord Technologies Limited	1,611	2,111
Decta Holdings Pty Ltd	-	2,640
JW & LM Hassen	-	26,400

All the foregoing amounts are included as unsecured trade creditors in note 10.

(g) Directors' Fees

Directors fees and superannuation paid or payable by the Company are set out in the table below;

Director	2004			2003		
	Fees	Super	Total	Fees	Super	Total
JW Hassen	-	-	-	2,754	246	3,000
NDB Graham	-	-	-	2,754	246	3,000
TA Gosatti	-	-	-	-	-	-
WJ Land	-	-	-	-	-	-
AM Zuiderwyk	-	-	-	-	-	-

17. **Subsequent Events**

On 9 May 2004 the Company issued a prospectus to raise \$2,400,000 through the issue of 9,600,000 ordinary fully paid shares of 25 cents each. That prospectus offer closed on 21 July 2004 and the company's shares were listed on the Australian Stock Exchange Limited on 10 August 2004.

As a consequence of completion of the offer the amount owing to Sord Technologies Limited of \$366,250 (Note 10) was reduced by the payment of \$255,200 from the proceeds of the prospectus issue. The capitalised prepaid share issue expenses of \$100,786 (Note 7) have subsequently been written off against the equity raised.

As disclosed in the Company's prospectus the Company undertook to employ Mr Hassen on terms and conditions as approved by shareholders on 13 April 2004, subject to the capital raising pursuant to the prospectus being completed. As a consequence of completion of the prospectus issue, the terms of Mr Hassen's employment contract with the Company came into effect on 21 July 2004.

As disclosed in the Company's prospectus the Company granted share options to Messrs Hassen, Gosatti and Land on terms and conditions as approved by shareholders on 13 April 2004, subject to the capital raising pursuant to the prospectus being completed. As a consequence of completion of the prospectus issue the grant of those options is no longer conditional. The total number of Options and exercise price per Share of the Options issued to Messrs Hassen, Land and Gosatti or their nominees was as follows;

Director	30 Cent Exercise Price	35 Cent Exercise Price
JW Hassen	400,000	400,000
TA Gosatti	100,000	100,000
WJ Land	100,000	100,000

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2004**

**17. Subsequent Events (continued)**

The Options can be exercised at any time within 5 years from the date at which the grant became unconditional. If not exercised beforehand, the Options lapse within 12 months of the Director ceasing to be a Director of the Company. All other terms and conditions pertaining to the grant of the Options are in accordance with the conditions stipulated in the Employee Share Option Scheme ("the Scheme") approved by shareholders. Where the Scheme provisions differ from the foregoing conditions the foregoing conditions take precedence.

A number of the Directors or entities associated with the Directors subscribed for shares pursuant to the prospectus. At 5 August 2004 the Director interests in shares and options of the Company were as follows:

Shareholder	Director or Former Director	Shares	Options
Gosatti Corporation Pty Ltd	TA Gosatti	1,200,360	-
TA & MR Gosatti <Adriano Gosatti Super Fund>	TA Gosatti	250,000	-
TA & MR Gosatti <Gosatti Super Fund>	TA Gosatti	250,000	-
TA Gosatti	TA Gosatti		200,000
WJ Land	WJ Land	50,000	200,000
Hasman Investments Pty Ltd <JW & LM Hassen Super Fund>	JW Hassen	200,000	-
JW & LM Hassen	JW Hassen	3,295,000	-
Hasman Investments Pty Ltd <JW & LM Hassen Family Trust>	JW Hassen	20,000	-
John W Hassen	JW Hassen	20,000	800,000
Leonie M Hassen	JW Hassen	20,000	-
Sarah H Hassen	JW Hassen	20,000	-
Jean E Hassen	JW Hassen	8,000	-
Antony Zuiderwyk	AM Zuiderwyk	10,000	-
Jennifer Zuiderwyk	AM Zuiderwyk	10,000	-
Martin Zuiderwyk	AM Zuiderwyk	8,400	-

In addition it is noted that Mr Zuiderwyk is a director of both National Power Services Pty Ltd and National Power Services (Western Australia) Pty Ltd and that those companies own 1,700,000 shares and 2,102,500 shares respectively in the capital of the Company.

**18. Standby Arrangements and Credit Facilities**

The Company has no access to any credit standby arrangements

**19. Financial Instruments**

Interest Rate Risk

The Company has no exposure to interest rate risk

Credit Risk

The Company has adopted the policy of only dealing with counter parties it believes to be creditworthy as a means of mitigating the risk of financial loss from defaults. The Company makes adequate provisions where necessary.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for doubtful debts, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

**6. Details of individual and total dividends or distributions and dividend or distribution payments.**

None

**7. Details of any dividend or distribution reinvestment plans in operation**

None

**8. A statement of retained earnings showing movements.**

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Opening Accumulated Losses	(244,433)	(70,747)
Net loss from ordinary activities for the year	(149,107)	(173,686)
Closing Accumulated Losses	(393,540)	(244,433)

**9. Net tangible assets per security**

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Number of shares	26,375,000	25,575,000
Net Tangible Assets	(264,921)	(263,073)
Net Tangible Assets Per Share	(\$0.0089)	(\$0.0103)

Upon completion of the prospectus issue referred to below the net tangible asset backing per share was \$0.0565.

**10. Details of entities over which control has been gained or lost during the period**

None

**11. Details of associates and joint venture entities**

None

**12. Other significant information**

None

**13. Foreign entities - Accounting standards**

Not Applicable

**14. Commentary on the results for the period.**

Since acquiring the ShieldLiner™ System and associated intellectual property from Sord Technologies Limited in February 2002, the Company's focus has been on initial system prototype development and the development of a long term business plan to further refine and then commercialise the ShieldLiner™ System and at the same time raise the capital necessary to meet the business plan objectives.

A major focus of the Company during the year ended 30 June 2004 was the need to raise additional capital to further develop and commercialise the ShieldLiner™ System. The Company issued a prospectus to raise \$2,400,000 on 9 May 2004. That offer closed on 21 July 2004 and the Company's shares were listed on the Australian Stock Exchange Limited on 10 August 2004.

The raising of the \$2.4 million was a major achievement for the Company and it is now well placed to move forward with its commercialisation plans.

Whilst additional progress was made in the development of the ShieldLiner™ System during the year the Company was resource constrained and the focus was primarily on fundraising and developing relationships with potential end users of the ShieldLiner™ System. The Company reached agreement with the Water Corporation of Western Australia to undertake a test project to reline 500 meters of mains pressure water pipe and it is expected that this trial will be completed by the end of October 2004. The Company continues to hold discussions with a number of other potential end users of the ShieldLiner™ System concerning possible joint development work and trial applications.

On 9 September 2003 the Company agreed with Sord Technologies Limited to revise the payment terms and conditions of the debt due to Sord Technologies Limited for the balance of the purchase consideration for the ShieldLiner™ System. In summary, the outstanding debt is no longer interest bearing, the repayment term is no longer fixed but is aligned to the success of future capital raisings and the amount payable from those capital raisings has been reduced from 15% to 10%. The security arrangements remain unaltered.

ShieldLiner Limited has adopted a policy of writing off all research and development expenditure as and when incurred as distinct from capitalising those costs. The Company is capitalising all patent costs and is amortising the costs over 20 years from the date of the original application, namely 16 May 2001. The Company has incurred a loss of \$119,573 (2003:\$173,686) in the operating period after taking into account a tax credit of \$72,118 (2003:\$105,247) primarily attributable to the cash out of research and development expenditures.

**15. Status of Audit or Review**

The accounts are in the process of being audited

**16. Disputes or Qualification**

The accounts are not likely to be the subject of any dispute or qualification.

**17. Audited or Reviewed Accounts – Qualifications or Disputes**

Not applicable