ShieldLiner Limited
ACN 096 870 978

Lot 1003 Prinsep Road
Jandakot WA 6164

Phone: 08 9414 1400
Facsimile: 08 9414 1019

Postal: PO Box 1129
Canning Bridge
Applecross
Western Australia 6153

www.shieldliner.com

26 October 2006

The Manager
Companies Announcements Office
Australian Stock Exchange Limited

ASX Announcement
Quarterly Appendix 4C Cash Report & Company Update

Cash Report and Position

The Company has an obligation under Listing Rule 4.7 to provide a quarterly cash report containing the information set out in Appendix 4C of the Listing Rules. A copy of the Appendix 4C report for the quarter ended 30 September 2006 is attached and forms part of this announcement. We note that the Company's cash position was enhanced from that noted in the quarterly report as a consequence of the banking on 6 October 2006 of a $328,932 income tax refund attributable to cashing out the Company's entitlement to research and development taxation concessions for the year ended 30 June 2006. This amount was previously booked as a receivable at 30 June 2006.

Premium Pipe Services Pty Ltd

On 25 September 2006 the Company announced it had entered into a series of conditional letter agreements that would, upon completion, result in the company owning two cash flow positive businesses in addition to its continuing ownership of the ShieldLiner System. The first transaction involved the Company moving from a one third ownership position to 100% ownership of Premium Pipe Services Pty Ltd ("PPS").

PPS is a specialist trenchless technology contractor that has the ability to handle a range of pipe repair and rehabilitation services utilising equipment owned by the company and operated by a multi skilled and experienced team of employees and subcontractors. PPS is expected to be profitable in the 2007 financial year and at 30 September had a current forward order book of approximately $1.4 million, In a related transaction PPS has been appointed effectively an exclusive distributor for Australia and New Zealand for a range of glass reinforced epoxy ("GRE") pipes and fittings manufactured by Fiber Glass Systems LP ("FGS") of San Antonio, Texas. FGS is a leading worldwide manufacturer of fiberglass reinforced epoxy pipe products used primarily for corrosion control in low to high pressure applications of enhanced oil recovery projects. The products also have applications in the gas, water, marine offshore, industrial and chemical industries and have temperature ratings of up to 220 degrees (104.4C), depending on resin system. Unlike steel pipes the pipes require no protective coatings and their use reduces maintenance costs caused by corrosion. The pipes are light and easy to handle and less personnel and equipment is needed during installation. FGS markets its products under the trade names Star, Smith and Fibercast.

During the 18 month period to 30 June 2006 the GRE business unit being acquired by PPS had sales in excess of $11.8 million.

Each of the aforementioned transactions involving PPS is conditional on the completion of the others and work is progressing on completion of the various legal contracts. It is expected that the contracts will be entered into shortly and it is anticipated that all conditions precedent would be satisfied by 30 November 2006.

It is the Company's intention to advise the market on a quarterly basis of the combined order book for PPS. The first such update will be provided in the December quarterly report.

Commercial Ready Grant & Development Program

During the quarter the Company announced it had been awarded, subject to contract, $1.28m under the AusIndustry Commercial Ready Grant program to support the further development and commercialisation of the ShieldLiner™ System for lining, repairing and sealing both gravity and pressure pipelines insitu without surface disruption. The contract was subsequently executed and the first instalment pursuant to the grant of $121,844 was received during quarter and assisted in funding the increased R&D expenditures during the quarter. Excellent progress has been made during the quarter on the first two of eleven milestone grant projects namely the new modular tooling program and the new control rig and exit system.

The modular tooling program is designed to enable the same central core of the tooling package to be utilised with different sealing and add on mechanisms so that it can be used on pipes with diameters ranging from 300mm to 600mm. In previously developing the technologies, test programs have been undertaken with a tooling system capable of only lining 300mm pipes and as such the modular tooling program opens up the capacity for end users of the system to line different pipe sizes within the capital cost constraints of a single tooling package.

The new tooling package will be on display at the 2006 International No Dig Convention and Exhibition to be held in Brisbane in early November. At the 2005 International No Dig Convention and Exhibition held in Rotterdam the Company was awarded the awarded the 2005 new machine, tool, material, system or technique category of the international "No Dig" awards for its first commercially capable ShieldLiner rig. The Brisbane convention is an ideal opportunity to showcase the enhanced ShieldLiner technology to a substantial group of international industry participants.

The control rig project is focussing on reducing the foot print size of the rig to facilitate site access and also on system automation. The system previously operated using a combination of automated and manual controls. The new surface rig and modular tooling package incorporates comprehensive electronics, three in tool video cameras and computerised control and monitoring systems whereby the operators now control the system utilising touch screen technology.

It is expected testing and refinement of the new modular tooling package and control system and rig will commence in late 2006 and continue for at least the first four months of 2007. Work on the other major system component, namely major changes to the design and functionality of the pressure chamber will commence in the first quarter of 2007. In the interim the old pressure chamber will be utilised for the modular tooling and control rig test program.

Conclusion

It has been a busy quarter where the Company has made some excellent progress both on the technology front and also with the proposed acquisitions of the complementary businesses which will increase the Company's critical mass and reduce the risks associated with essentially being seen solely as an R&D focused company. The investments in PPS and the GRE business will, over the next twelve months transform ShieldLiner from being purely a developer of a world class trenchless technology into a group that will also be generating positive cash flows

John Hassen
Managing Director

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

ShieldLiner Limited

ABN	Quarter ended ("current quarter")
88 096 870 978	30 September 2006

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from customers and grant income		122	122
1.2	Payments for	(a) staff costs	(211)	(211)
		(b) advertising and marketing		
		(c) research and development	(92)	(92)
		(d) leased assets		
		(e) other working capital	(41)	(41)
1.3	Dividends received			
1.4	Interest and other items of a similar nature received		15	15
1.5	Interest and other costs of finance paid			
1.6	Income taxes (paid)/ R&D tax concession refund received			0
1.7	Other (provide details if material) - GST clearing		12	12
	Net operating cash flows		(196)	(196)

		Current quarter $A'000	Year to date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	(196)	(196)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)		
	(b) equity investments		0
	(c) intellectual property	(18)	(18)
	(d) physical non-current assets	(7)	(7)
	(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	Loans to other entities	(14)	(14)
1.12	Loans repaid by other entities		
1.13	Other (provide details if material)		
	Net investing cash flows	(38)	(38)
1.14	**Total operating and investing cash flows**	(234)	(234)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.		
1.16	Proceeds from sale of forfeited shares		
1.17	Proceeds from borrowings		
1.18	Repayment of borrowings		0
1.19	Dividends paid		
1.20	Other (provide details if material)		0
	Net financing cash flows	0	0
	Net increase (decrease) in cash held	(234)	(234)
1.21	Cash at beginning of quarter/year to date	1,191	1,191
1.22	Exchange rate adjustments to item 1.20		
1.23	**Cash at end of quarter**	957	957

Payments to directors of the entity and associates of the directors

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	53
1.25	Aggregate amount of loans to the parties included in item 1.11	14

1.26 Explanation necessary for an understanding of the transactions

1.24 Salaries, fees and superannuation contributions paid to Mr JW Hassen amounted to $40,153 during the quarter. Fees and superannuation contributions totalling $12,724 were paid to Messrs Gosatti ($3,000), Zuiderwyk ($3,000), Land ($3,000) and McDonald ($3,724) or their nominees during the quarter. 1.25 Costs of $13,782 were paid on behalf of Premium Pipe Services Pty Ltd during the quarter. This advance is interest free and repayable on demand.

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

Nil

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

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2)

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

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	957	1,191
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	957	1,191

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	Nil	Nil
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: .... Date: 23 October 2006

Director

Print name: John Hassen