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

27 October 2006

The Manager
Companies Announcements Office
Australian Stock Exchange Limited

ASX Announcement
Annual General Meeting Notice & Explanatory Memorandum

Please find attached a letter to be mailed to shareholders on 31 October 2006 enclosing a copy of the following documents;

- Notice of the Annual General Meeting to be held at the Function Centre, Technology Park, 2 Brodie-Hall Drive, Bentley, Western Australia on 30 November 2006 at 5.30pm
- Explanatory Memorandum in respect of the resolutions to be put to the meeting
- Independent Expert's Report commenting on the fairness and reasonableness of the purchase of shares in Premium Pipe Services Pty Ltd announced to the ASX on 25 September 2006 from interests associated with Mr Trevor Gosatti, a director of the Company.
- Proxy Form
- Annual Report

A copy of the Annual Report was lodged with the ASX on 29 September 2006 and is not included in the attachments to this announcement.

John Hassen
Managing Director

ShieldLiner Limited
ACN 096 870 978

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31 October 2006

Dear ShieldLiner Shareholder

NOTICE OF ANNUAL GENERAL MEETING
ANNUAL REPORT

Please find enclosed with this letter a copy of the Company's Annual Report for 2006 together with a copy of a Notice of Annual General Meeting of Shareholders, Explanatory Memorandum and Independent Expert's Report on a proposed transaction involving a related party. The Annual General Meeting of Shareholders ("AGM") will be held at the Function Centre, Technology Park, 2 Brodie-Hall Drive, Bentley, Western Australia on 30 November 2006 at 5.30pm.

Subsequent to year end the Company has issued two major media releases which can be down loaded from the Investor section of the Company's web site at www.shieldliner.com. The first relates to the awarding by the Australian Government of a $1.28 million AusIndustry Commercial Ready Grant to assist in the funding of the ShieldLiner development program. The second relates to the appointment of Premium Pipe Services Pty Ltd ("PPS") as effectively an exclusive distributor for Australia and New Zealand for a range of new glass reinforced epoxy ("GRE") pipes and fittings manufactured by Fiber Glass Systems LP ("FGS") of San Antonio, Texas. This release also advises of the acquisition of certain assets and staff from the previous GRE pipe distributor and the move to 100% ownership of PPS, which conducts a trenchless technology contracting business. Complete details of this release are incorporated in the Explanatory Memorandum commentary on Resolution 5 of the Notice of AGM.

At the AGM a presentation will be made on the status and progress of the ShieldLiner development program over the past twelve months and on the new GRE business and the activities of PPS. At the conclusion of the meeting, presentation and question and answer session refreshments will be served. If you are unable to attend the meeting, you should complete and submit the Form of Proxy attached to this letter which forms part of the Notice of Annual General Meeting of Shareholders and Explanatory Memorandum.

We look forward to your continued support and advise that should you require any additional information on your company or its activities you should not hesitate to contact us.

Yours sincerely

John Hassen
Managing Director

PROXY FORM

APPOINTMENT OF PROXY
SHIELDLINER LIMITED
ACN 096 870 978

I/We

Being a Member of SHIELDLINER LIMITED entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR

Mark this box if you wish to appoint the Chairman of the Meeting as your proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at 5.30pm on 30 November 2006 at the Function Centre, Technology Park, 2 Brodie-Hall Drive, Bentley, Western Australia and at any adjournment thereof.

Voting on Business of the Annual General Meeting

		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report			
Resolution 2	Re-election of Mr WJ Land			
Resolution 3	Re-election of Mr JK McDonald			
Resolution 4	Grant of Options to Mr JK McDonald			
Resolution 5	Acquisition of shares in Premium Pipe Services Pty Ltd held by interests associated with Mr TA Gosatti			
Resolution 6	Grant of Options to Mr TA Gosatti			
Resolution 7	Approval for the Continuation of the ShieldLiner Limited Employee Share Option Scheme Listing Rule 7.2 (Exception 9)			
Resolution 8	Increase Directors' Fees paid to Non-Executive Directors			

OR

If the Chairman is to be your proxy and you do **not** wish to direct your proxy how to vote on these Resolutions, please place a mark in this box

By marking this box, you acknowledge that the Chairman of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Annual General Meeting will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on these Resolutions. The Chairman intends to vote undirected proxies in favour of these Resolutions.

IF THE CHAIRMAN IS TO BE YOUR PROXY IN RELATION TO THE RESOLUTIONS YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY IN RELATION TO THE RESOLUTIONS WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ___________%.

Signed this day of 2006

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director / Company Secretary
Signature	Sole Director and Sole Company Secretary

SHIELDLINER LIMITED
ACN 096 870 978

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.

3. Corporate shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

    - directors of the company;
    - a director and a company secretary of the company; or
    - for a proprietary company that has a sole director who is also the sole company secretary – that director.

    For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

6. To vote by proxy, please complete and sign the proxy form enclosed:

    (a) send the proxy form by facsimile to the Company on facsimile number (61 8) 9414 1019; or

    (b) send the proxy form by post to the Company Secretary at PO Box 1129, Canning Bridge, Applecross, Western Australia, 6153,

    so that it is received no later than 5.00pm on 28 November 2006. Proxy forms received later than this time will be invalid.

SHIELDLINER LIMITED

ACN 096 870 978

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY MEMORANDUM

AND

PROXY FORM

Date of Meeting:	30 November 2006
Time of Meeting	5.30pm
Place of Meeting:	Function Centre Technology Park 2 Brodie-Hall Drive Bentley, WA 6102

This Notice of Annual General Meeting and Explanatory Memorandum should be read in their entirety. If a Shareholder is in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

SHIELDLINER LIMITED

ACN 096 870 978

NOTICE OF ANNUAL GENERAL MEETING

Notice is Hereby Given that the Annual General Meeting of the Shareholders of **ShieldLiner Limited** ("**Company**") will be held at the Function Centre, Technology Park, 2 Brodie-Hall Drive, Bentley, Western Australia on 30 November 2006 at 5.30pm.

The notes to this Notice of Annual General Meeting together with the Explanatory Memorandum and Independent Expert's Report, 2006 Annual Report and Proxy Form are incorporated in and comprise part of this Notice of Annual General Meeting.

Shareholders should note that Part A of the Explanatory Memorandum defines a number of terms and phrases that are used in this Notice and in the Explanatory Memorandum.

HOW TO VOTE

Voting In Person

To vote in person, attend the Annual General Meeting on the date and at the place set out above. The meeting will commence at 5.30pm.

Voting By Proxy

To vote by proxy, please complete and sign the proxy form enclosed and either:

(a) send the proxy from by facsimile to the Company Secretary on facsimile number (61 8) 9414 1019; or
(b) send the proxy form by post to the Company Secretary at PO Box 1129, Canning Bridge, Applecross, Western Australia, 6153,

so that it is received no later than 5.00pm on 28 November 2006. Proxy forms received later than this time will be invalid.

Point at which Voting Rights are Determined

The Corporations Act permits the Company to specify a time not more than 48 hours before the meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

The Board of Directors has passed a resolution to the effect that all Shares of the Company that are quoted on the ASX at 12.00pm on 29 November 2006 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Annual General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

AGENDA

Ordinary Business

Financial Statements and Reports

To receive and consider the financial report and the reports of the Directors and the Auditors of the Company for the year ended 30 June 2006.

To consider and if thought fit, pass the following resolutions as ordinary resolutions:

Resolution 1 - Remuneration Report

"That the Remuneration Report forming part of the Directors' Report for the year ended 30 June 2006 be adopted."

Note the vote on this resolution does not bind the Company or its Directors.

Resolution 2 – Re-election of Director – Mr WJ Land

"That Mr WJ Land, who retires by rotation in accordance with the Constitution and the Listing Rules of Australian Stock Exchange Limited, and being eligible, offers himself for re-election, be re-elected."

Resolution 3 - Re-election of Director – Mr JK McDonald

"That Mr JK McDonald, who was appointed during the year and who retires in accordance with the Constitution and the Listing Rules of Australian Stock Exchange Limited, and being eligible, offers himself for re-election, be re-elected."

Special Business

Resolution 4 – Ordinary Resolution for Shareholder Approval to Issue Options to James Kenneth McDonald or his Nominee

That for the purposes of Section 208(1) of the Corporations Act and for all other purposes, the shareholders of the Company authorise the Company to grant 300,000 options (each to subscribe for one fully paid ordinary share in the capital of the Company) to James Kenneth McDonald or his Nominee for the purposes and pursuant to the terms and conditions set out in the Explanatory Memorandum."

A vote on Resolution 4 must not be cast (in any capacity) by or on behalf of Mr James Kenneth McDonald or an associate of Mr James Kenneth McDonald. However, a vote is not prevented if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 4 and it is not cast on behalf of Mr James Kenneth McDonald or an associate of Mr James Kenneth McDonald.

Resolution 5 – Ordinary Resolution for Shareholder Approval to Acquire the Shares in Premium Pipe Services Pty Ltd held by Interests associated with Mr Trevor Adriano Gosatti

"That for the purposes of Section 208(1) of the Corporations Act and for all other purposes, the shareholders of the Company authorise the Company to purchase the shares in Premium Pipe Services Pty Ltd held by interests associated with Mr Trevor Adriano Gosatti for a consideration of $400,000."

A vote on Resolution 5 must not be cast (in any capacity) by or on behalf of Mr Trevor Adriano Gosatti or an associate of Mr Trevor Adriano Gosatti. However, a vote is not prevented if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 5 and it is not cast on behalf of Mr Trevor Adriano Gosatti or an associate of Mr Trevor Adriano Gosatti .

Resolution 6 – Ordinary Resolution for Shareholder Approval to Issue Options to Trevor Adriano Gosatti or his Nominee

"That subject to the passing of Resolutions 5, that for the purposes of Section 208(1) of the Corporations Act and for all other purposes, the shareholders of the Company authorise the Company to grant 200,000 Options (each to subscribe for one fully paid ordinary share in the capital of the Company) to Trevor Adriano Gosatti or his Nominee for the purpose and pursuant to the terms and conditions set out in the Explanatory Memorandum."

A vote on Resolution 6 must not be cast (in any capacity) by or on behalf of Mr Trevor Adriano Gosatti or an associate of Mr Trevor Adriano Gosatti. However, a vote is not prevented if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 6 and it is not cast on behalf of Mr Trevor Adriano Gosatti or an associate of Mr Trevor Adriano Gosatti.

Resolution 7 – Ordinary Resolution for Shareholder Approval for the Continuation of the ShieldLiner Limited Employee Share Option Scheme Listing Rule 7.2 (Exception 9).

"That for the purposes of Listing Rule 7.2 (Exception 9) of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for Options granted from time to time pursuant to the terms and conditions of the ShieldLiner Limited Employee Share Option Scheme ("Scheme"), as set out in the Explanatory Memorandum, to continue to be an exception to Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited".

The Company will disregard any votes cast on this resolution by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and an associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction

Resolution 8 – Ordinary Resolution for Shareholder Approval to increase Directors' Fees paid to Non-Executive Directors

"That for all purposes, the maximum aggregate remuneration payable out of the funds of the Company to non-executive directors of the Company for their services as directors, including their service on a committee of directors, be increased from the current level of $100,000 per annum to $200,000 per annum."

A vote on Resolution 8 must not be cast (in any capacity) by or on behalf of the Directors or an associate of the Directors. However, a vote is not prevented if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 8 and it is not cast on behalf of the Directors or an associate of the Directors.

DATED this 31st day of October 2006

JW Hassen
Director
By Order of the Board

SHIELDLINER LIMITED

ACN 096 870 978
EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with information to assess the merits of the resolutions contained in the accompanying Notice of Annual General Meeting of ShieldLiner Limited in relation to a meeting to be held at the Function Centre, Technology Park, 2 Brodie-Hall Drive, Bentley, Western Australia on 30 November 2006 at 5.30pm. This Explanatory Memorandum is to be read in conjunction with the Notice of Meeting. Shareholders should note that certain terms and phrases used in this Explanatory Memorandum and in the Notice are defined in Part A of this Explanatory Memorandum.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions. If you are unable to attend, Shareholders are encouraged to complete and submit the Form of Proxy attached to the Notice.

This Explanatory Memorandum consists of the following sections:

Part A : Definitions
Part B : Introduction and Comments on Ordinary Business
Part C : Commentary on Special Business and Resolutions 4 to 8

PART A: DEFINITIONS

In this Explanatory Memorandum, the following terms have the following meanings:

"**Annual General Meeting**" or "**Meeting**" means the annual general meeting of Shareholders convened by the Notice;
"**ASIC**" means the Australian Securities and Investments Commission;
"**ASX**" means Australian Stock Exchange Limited;
"**ASX Listing Rules**" means the listing rule of ASX;
"**Board**" means the directors of the Company;
"**Company**" means ShieldLiner Limited (ACN 096 870 978);
"**Corporations Act**" means the *Corporations Act 2001 (Cth)*;
"**Directors**" means each of James Kenneth McDonald, John Witford Hassen, William Julian Land, James Kenneth McDonald and Trevor Adriano Gosatti;
"**Independent Expert**" means Moore Stephens Perth Corporate Services Pty Ltd;
"**Independent Expert's Report**" means the report dated 11 October 2006 prepared by the Independent Expert and attached to this Explanatory Memorandum;
"**Notice**" means the Notice of Annual General Meeting dated 28 October 2006;
"**Option**" means an option to subscribe for a Share;
"**PPS**" means Premium Pipe Services Pty Ltd (ACN 115 118 164);
"**Scheme**" means the ShieldLiner Limited Employee Share Option Scheme adopted by the Company on 18 December 2003;
"**Share**" means a fully paid ordinary share in the Company;
"**Shareholder**" means a person registered in the Company's register as the holder of a Share; and
"**ShieldLiner**" or "**the Company**" means ShieldLiner Limited.

PART B: INTRODUCTION AND COMMENTS ON ORDINARY BUSINESS

Financial Statements and Reports

The Corporations Act requires the financial report (which includes the financial statements and Directors' Declaration), the Directors' Report and Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the Corporations Act or the Company's constitution for Shareholders to approve the financial report, the Directors' Report or the Auditor's Report. Shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on these reports.

Resolution 1 - Remuneration Report

The Directors' Report for the year ended 30 June 2006 contains a Remuneration Report which sets out the policy for the remuneration of the Directors and executives. Resolution 1 seeks Shareholder adoption of the Remuneration Report forming part of the Directors' Report for the year ended 30 June 2006. The Corporations Act expressly provides that the vote on the Remuneration Report is advisory only and does not bind the Directors or the Company.

Resolution 2 - Re-election of Director – Mr William Julian Land

Clause 11.3 of the Company's constitution and Listing Rule 14.4 of the ASX Listing Rules requires that at each Annual General Meeting one third of the Directors must retire from office. A Director appointed during the year either to fill a casual vacancy or as an addition to the Directors is not taken into account in determining the Directors who must retire by rotation. Therefore, Mr William Julian Land being the Director who has longest been in office, retires by rotation and being eligible seeks re-election.

Resolution 3 - Re-election of Director – Mr James Kenneth McDonald

Clause 11.12 of the Company's constitution and Listing Rule 14.4 of the ASX Listing Rules requires that a Director appointed during the year by the Directors to either to fill a casual vacancy or as an addition to the Directors must retire at the next meeting of Shareholders and seek re-election by Shareholders. Mr James Kenneth McDonald having been appointed as an additional Director pursuant to Clause 11.11 of the Company's constitution on 22 May 2006 accordingly retires and being eligible seeks re-election.

PART C: COMMENTARY ON SPECIAL BUSINESS AND RESOLUTIONS 4 TO 8

In addition to the foregoing normal matters and resolutions referred to in Part B above, a number of other Shareholder approvals are being sought at this year's Annual General Meeting pursuant to Resolutions 4 to 8.

Set out below in this part of the Explanatory Memorandum is additional information and where considered necessary, a commentary relating to Resolutions 4 to 8 included in the Notice. This information should be read in conjunction with the actual wording of Resolutions 4 and 8 in the Notice and with the information provided above.

Section 208(1) of Chapter 2E of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the public company must obtain approval of its members and give the benefit within 15 months after the approval, unless one of the exceptions set out in Chapter 2E applies.

The exceptions to this requirement include where:

- the financial benefit is given on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length or are less favourable than those terms; or
- the financial benefit is remuneration to a related party as a director of the public company and to give the remuneration would be reasonable given the circumstances of each of the public company and the related party; or
- the transaction falls within one of the other nominated exceptions to the provisions.

A "financial benefit" for the purposes of the Corporations Act is also widely defined. It includes the public company providing finance or property to the related party or buying an asset from or selling an asset to a related party. It also includes issuing securities, or granting options, to a related party. In determining whether or not a financial benefit is given, it is necessary to look at the economic and commercial substance of the conduct (rather than just the legal form) and any consideration which has been given is to be disregarded, even if it is adequate.

A "related party" for the purposes of the Corporations Act is defined widely. It includes an entity which controls a public company, directors of the public company and specified members of a director's family. It also includes an entity over which a director maintains control. Mr James Kenneth McDonald and Mr Trevor Adriano Gosatti are directors of ShieldLiner and are considered related parties of ShieldLiner for the purposes of the Corporations Act and the ASX Listing Rules. Mr James Kenneth McDonald is a related party in respect of Resolution 4 and Mr Trevor Adriano Gosatti is a related party in respect of Resolutions 5 to 7.

Resolution 4 - Issue of Options to Mr JK McDonald, Chairman of Directors of the Company – Related Party Transaction

On 22 May 2006 the Company announced to the ASX the appointment of respected businessman Mr Jim McDonald as a non-executive Chairman of the Company.

Mr McDonald retired as Managing Director and Chief Executive Officer of Australian Pipeline Trust (ASX code APA) on 30 June 2005 having been appointed to those positions on the spin out of APA from the Australian Gas Light Company ("AGL") in 2000. Prior to that appointment Mr McDonald held various senior managerial roles at AGL from 1986 to 2000 and from 1971 to 1986 he was employed by Esso Australia Limited. Mr McDonald has held numerous positions with the Australian Pipeline Industry Association Ltd (APIA) including several terms as President. He was awarded life membership of APIA in 2005 as recognition of his contribution to the pipe line industry and is a Fellow of the Australian Institute of Company Directors.

Mr McDonald has a background as a senior executive in the gas industry and has extensive experience in management at the joint venture, partnership and enterprise level and high level interaction with bankers, financial advisors, the market, commercial and technical regulators, the media and government.

The other Directors had for some time been seeking to appoint a suitably experienced and qualified Chairman to assist in taking the Company forward from its development to commercialisation phase and they believe that Mr McDonald will add significant value and experience to the Company.

At the time of his appointment it was agreed Mr McDonald would be paid directors' fees including statutory superannuation of $18,000 per annum, an amount 50% in excess of the current fees paid to the other non-executive directors in recognition of the additional duties of the Chairman. It was also agreed that subject to Shareholder approval the Company would also grant 300,000 Options to Mr McDonald. This grant of Options is also 50% in excess of the Options previously granted to two other non-executive directors. It was also agreed with Mr McDonald that he would be paid $750 per day for work over and above that of the normal director role on activities such as investor presentations or any involvement in commercial negotiations. To date no day rate payments have been made to Mr McDonald.

The grant of Options to Mr McDonald is on similar terms and conditions as the Options granted to two of the other non-executive Directors, namely Mr Trevor Gosatti and Mr Julian Land. The principal terms of the proposed grant of the Options to Mr McDonald are the same as those pertaining to the Options granted to Messrs Gosatti and Land, namely, the Options can be exercised at any time after Shareholder approval but before 5 August 2009. If not exercised beforehand, the Options lapse within twelve months of Mr McDonald ceasing to be a director of the company. 150,000 of the Options are exercisable at a price of 30 cents and the remaining 150,000 Options have an exercise price of 35 cents each. All other terms and conditions pertaining to the grant of the Options are in accordance with the conditions stipulated in the Scheme approved by Shareholders, details of which are incorporated in the commentary below on Resolution 7. Where the Scheme provisions differ from the foregoing conditions the foregoing conditions take precedence.

Whilst the proposed exercise prices of the Options to be issued to Mr McDonald or his nominee pursuant to Resolution 4 is at prices between approximately 83% and 113% higher than the weighted average price of Shares sold in the 30 days prior to the announcement of the grant on 22 May 2006, the granting of the Options may constitute the giving of a financial benefit pursuant to the Corporations Act and accordingly Shareholder approval is being sought to approve the issue of these Options.

ASX Listing 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the Company. As set out above, Mr McDonald is a related party and accordingly Shareholder approval is also sought under Resolution 4 for the purposes of ASX Listing Rule 10.11. As Shareholder approval is being sought pursuant to ASX Listing 10.11 approval is not required under ASX Listing Rule 7.1.

The grant of Options to Mr McDonald was announced to the ASX on 22 May 2006 as being subject to Shareholder approval and that announcement also noted that in order to avoid the costs associated with holding a separate Shareholders' meeting to deal solely with the grant of Options to Mr McDonald, Shareholder approval would be sought at the next general meeting of Shareholders, namely the meeting the subject of this Notice.

The Board remains of the view that there is a need for an appropriate alignment between the rewards to Directors and returns to Shareholders and that in small essentially start up type companies options are an appropriate long term incentive for Directors, provided the terms of the Options are properly designed. In particular, it is important that there are appropriate performance conditions in place as a condition of vesting of any Options. For the offer of Options to Mr McDonald to be in the money requires a significant increase in the Share price above the weighted average price of Shares sold in the 30 days prior to the announcement of the grant on 22 May 2006.

Any issue of Options to a Director requires Shareholder approval and accordingly, Shareholder approval is being sought pursuant to Resolution 4 to issue James Kenneth McDonald or his nominee with Options to acquire 150,000 Shares at an exercise price of $0.30 (30 cents) per Share and 150,000 Shares at an exercise price of $0.35 (35 cents) per Share.

ASX Listing Rules

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in respect of Resolution 4:

1. The Options will be granted to Mr McDonald or his nominees within 1 day of Shareholder approval.

2. The issue price for the Options will be nil. Accordingly, there will be no funds raised from the issue of these Options. Further funds may be raised on the eventual exercise of the Options, however, there is no guarantee that the Options will be exercised at any future time. Such funds will be used for the purpose of providing working capital to the Company.

3. The total number of Options and exercise price per Share of the Options to be issued to Mr McDonald or his nominees is as follows;

Director	**30 Cent Exercise Price**	**35 Cent Exercise Price**
JK McDonald	150,000	150,000

4. The Options can be exercised at any time after Shareholder approval but before 5 August 2009.

5. If not exercised beforehand, the Options lapse within 12 months of Mr McDonald ceasing to be a director of the Company.

6. All other terms and conditions pertaining to the grant of the Options will be in accordance with the conditions stipulated in the Scheme details of which are incorporated in the commentary below on Resolution 7. Where the Scheme provisions differ from the foregoing conditions the foregoing conditions take precedence.

7. The Company will not be seeking official quotation of the Options on ASX.

Corporations Act

The following additional information is given in connection with the proposed grant of Options to Mr McDonald or his nominees for the purposes of section 219(1) of the Corporations Act.

i) *Identity of Related Parties*

The related party to whom proposed Resolution 4 would permit financial benefits is James Kenneth McDonald or his nominee.

ii) *Nature of the Financial Benefit and Nature of Director's Interests*

The nature of the financial benefit and the direct interest of Mr James Kenneth McDonald in Resolution 4 if passed is the grant of 300,000 Options to Mr James Kenneth McDonald or his nominee for no consideration, expiring approximately 3 years after the date of grant of the Options and on the terms and conditions set out in this Explanatory Memorandum. No other Directors have an interest in the outcome of Resolution 4.

iii) *Recommendation of the Directors*

Messrs Hassen, Land, Gosatti and Zuiderwyk have recommended the proposed Resolution 4 to Shareholders and they do not have a material personal interest in the outcome of the Resolution. These Directors consider that the proposed grant of Options, in the number, on the terms and having a value as set out in this Explanatory Memorandum, to Mr McDonald pursuant to this Resolution, is appropriate and reasonable to provide Mr McDonald with an incentive for future performance in his role within the Company. After a comprehensive assessment of all available material information, the Directors believe that the proposed grant of Options to Mr McDonald is in the best interests of the Company and its Shareholders.

As Mr McDonald has a material personal interest in Resolution 4 (set out above in (ii)), Mr McDonald declines to make a recommendation to Shareholders on this Resolution.

iv) *Other Information*

If the proposed Resolution 4 is passed and the Options are granted and then all exercised by Mr McDonald, the percentage shareholding in the Company of all then existing Shareholders would be diluted by a maximum of 0.79% by the issue of the Shares upon exercise of the Options. This assumes no other outstanding Options are exercised and no further Shares are issued by the Company.

Using the methodology outlined in the Option Pricing Model, Generalised Black Scholes, Version 2, for valuing employee share options, for the grant of the Options to Mr McDonald the financial benefit is $0.013 (1.3 cents) per Option for those Options with an exercise price of 30 cents and $0.008 (0.8 cents) per Option for those Options with an exercise price of 35 cents per Option calculated utilising the following assumptions:-

- Current Share price — 18.14 cents
- Exercise price — either 30 or 35 cents as the case may be
- Time to maturity — 1171 days from date of issue announcement
- Interest rate — 5.75%
- Volatility — 25%

On the basis of the proposed Option issue and applying the Black Scholes method for valuing options the financial benefit being provided to Mr McDonald pursuant to Resolution 4 is $3,085.

The number of Shares and Options held by or on behalf of each Director and their associates in the Company at the date of the Notice are as follows:

Director	**Shares**	**Options**	% Shareholding (on undiluted basis)
John Hassen	3,583,900	800,000	9.61
Julian Land	50,000	200,000	0.13
Trevor Gosatti	1,700,360	200,000	4.56
Tony Zuiderwyk	28,400	-	0.08
James McDonald	100,000	-	0.27

The Company's issued capital at the date of this Notice was 37,295,000 Shares. In addition to the foregoing Options proposed to be issued to Mr McDonald, at the date of this Notice, 220,000 Options have been issued by the Company to employees pursuant to the Scheme and 200,000 Options are proposed to be issued to Mr Gosatti pursuant to Resolution 6. On the assumption that the Options the subject to Resolutions 4 and 6 are issued and exercised, all of the existing Options are exercised and that no further Shares are issued by the Company, the interest of Mr McDonald in the Shares would be 1.02%

If the Options were exercised at the time of the announcement of the issue (22 May 2006) there would be no opportunity cost to the Company as the Share price at which the Company's Shares were trading on ASX at that time was below the exercise price of the Options. The market price for Shares during the term of the Options would normally determine whether or not Mr McDonald exercises the Options. If at the time any of the Options are exercised the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.

The highest and lowest price trading price of the Shares in the Company over the past 12 months has been as follows:

Highest – 29 cents on 5 January 2006
Lowest - 12 cents on 29 June 2006

The most recent closing price of Shares on ASX prior to the lodgment of the Notice with ASIC was 17.5 cents on 17 October 2006.

Resolution 5 –Acquisition of the Shares in Premium Pipe Services Pty Ltd held by Interests associated with Mr Trevor Adriano Gosatti – Related Party Transaction

On 25 September 2006 the Company issued the following announcement to the ASX;

"ShieldLiner Limited ("SLD") is pleased to announce it has entered into a series of conditional letter agreements that will, upon completion, result in the company owning two cash flow positive businesses in addition to its ownership of the unique ShieldLiner System for the insitu repair and rehabilitation of pipes.

SLD will, subject to SLD shareholder approval, acquire the one third interest held in Premium Pipe Services Pty Ltd ("PPS") by Gosatti Corporation Pty Ltd ("GCL") (a company in which ShieldLiner director Trevor Gosatti holds an interest). The consideration is $400,000 payable by way of an interest free promissory note that will be due and payable on 29 June 2007. It is also proposed SLD will acquire the one third interest held by Alinta Asset Management (2) Pty Ltd ("AAM") in PPS for $400,000 payable by way of an interest free promissory note that will be due and payable on 29 June 2007. Completion of these acquisitions will result in PPS becoming a 100% owned subsidiary of SLD. The purchase consideration effectively reimburses GCL and AAM the costs of their investment in PPS. The promissory notes are secured over the shares in PPS being acquired.

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 has 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. As part of the distribution arrangements PPS will acquire certain assets and staff ("GRE assets and staff") from the previous distributor, AAM, for $490,000. The purchase consideration is to be satisfied by the payment of a deposit of $250,000 payable on execution of the asset purchase agreement and the issue by PPS of an interest free unsecured promissory note of $240,000 payable on 29 June 2007. The promissory note will be guaranteed by SLD.

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. SLD has been advised the decision by Alinta to divest its interest in PPS and the GRE business is part of a rationalisation of non core business interests.

In summary the combined SLD/PPS group will require the following funds;

GCL– PPS purchase	*400,000*
AAM– PPS purchase	*400,000*
AAM – GRE purchase	*490,000*
	1,290,000

Whilst it is possible earnings during the period from 1 October 2006 to 30 June 2007 from the GRE business and the PPS contracting operations may be at a level sufficient to fund the repayment of the promissory notes due on 29 June 2007 it is likely SLD will seek to raise $1,375,000 by way of a relatively short term convertible note issue or some other form of debt or equity.

SLD managing director John Hassen said "SLD had for some time been evaluating the possible acquisition of complementary businesses in the trenchless technology and pipe lining industries so as to increase its critical mass more rapidly, generate positive cash flows sooner, increase its market capitalisation sooner and reduce the risks associated with essentially being seen solely as an R&D focused company. The investments in PPS and the GRE business are the first such acquisitions and the proposed transactions will transform SLD from being purely a developer of a world class trenchless technology into a group that will also generate positive cash flows".

PPS managing director and ShieldLiner director Trevor Gosatti indicated that "the GRE business was an excellent fit with significant upside potential and that it would complement the existing and proposed PPS business operations. The opportunities for cross selling of products and services together with the synergistic benefits of combining the three business units augured well for the future."

Vincent Tan, Sales Manager, Pacific Rim of Fiber Glass Systems LP said "we are delighted the team responsible for building our business in Australia have agreed to join the ShieldLiner group and we are confident that the new arrangements will continue to build on the sales of our products in Australia and New Zealand. The fact that the sales team will be able to draw upon the water industry experience of PPS managing director Trevor Gosatti and the oil and gas experience and contacts of SLD chairman, Jim McDonald is an added benefit to the new distribution arrangements."

The Company confirms that is in the process of entering into the formal agreements for these transactions on terms consistent with those specified above.

The acquisition of the PPS shares from Gosatti Corporation Pty Ltd may constitute the giving of a financial benefit to Mr Trevor Adriano Gosatti pursuant to the Corporations Act and accordingly shareholder approval is being sought to acquire these shares. In any event Chapter 10 of the ASX Listing Rules prohibits companies from entering into certain transactions with persons who are in a position of influence unless it receives the approval of shareholders in a general meeting.

Entities are prohibited by ASX Listing Rule 10.1 from acquiring a substantial asset from a related party without shareholder approval. A substantial asset is defined in ASX Listing Rule 10.2 as an asset with a value of, or the value of its consideration is, or in the opinion of the ASX is, 5% or more of the equity interests of the entity as set out in the latest financial statements given to the ASX under the ASX Listing Rules. The proposed acquisition involves ShieldLiner acquiring a substantial asset from a related party, ie ShieldLiner will acquire the shares in PPS held by Gosatti Corporation Pty Ltd, a company related to Mr Trevor Gosatti.

Pursuant to ASX Listing Rule 10.10.2, the Notice of Meeting which must be sent to shareholders must include an independent expert's report on the transaction. The report must state whether the proposed acquisition is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded. In the absence of shareholder approval the proposed acquisition must be not proceed.

The Directors commissioned Moore Stephens Perth Corporate Services Pty Ltd to prepare an Independent Expert's Report on the fairness and reasonableness of the proposed acquisition of the 400,000 shares held in PPS by Gosatti Corporation Pty Ltd, a company in which ShieldLiner Director Mr Trevor Gosatti holds an interest. A copy of that report is attached to this Explanatory Memorandum and it is noted the Independent Expert concluded that in their opinion *"the proposed acquisition is fair and reasonable, having regard to the interests of the non-associated shareholders of ShieldLiner".*

For the purposes of section 219(1) of the Corporations Act the following additional information is given in connection with the proposed acquisition by the Company of the 400,000 shares held in PPS by Gosatti Corporation Pty Ltd;

i) *Identity of Related Parties*

The related party to whom proposed Resolution 5 would permit financial benefits is Mr Trevor Adriano Gosatti, a Director.

ii) *Nature of the Financial Benefit and Nature of Directors' Interests*

The nature of the financial benefit and the nature of the interest of Mr Trevor Adriano Gosatti in Resolution 5 if passed is the acquisition by the Company of 400,000 shares in PPS from Gosatti Corporation Pty Ltd in consideration for the payment by the Company to Gosatti Corporation Pty Ltd of $400,000 in accordance with the terms of an interest free promissory note, which amount will be secured over the PPS shares the subject of the acquisition. Mr Trevor Adriano Gosatti is a director of both ShieldLiner and Gosatti Corporation Pty Ltd and accordingly, has a material personal interest in the outcome of Resolution 5. No other Directors have an interest in the outcome of Resolution 5.

Messrs Hassen, Land, McDonald and Zuiderwyk consider that the consideration to be paid by the Company for the acquisition of Gosatti Corporation Pty Ltd's shares in PPS is fair and reasonable and effectively reimburses Gosatti Corporation Pty Ltd for its cost of its investment in PPS. Shareholders should note that the acquisition of the PPS shares from Gosatti Corporation Pty Ltd is on identical terms as the acquisition of the PPS shares held by Alinta Asset Management (2) Pty Ltd. Shareholders are referred to the Company's ASX release of 25 September 2006 set out above for further information on the acquisitions.

iii) *Recommendation of the Directors*

Messrs Hassen, Land, McDonald and Zuiderwyk have recommended the proposed Resolution 5 and they do not have a material personal interest in the outcome of the Resolution. After a comprehensive assessment of all available material information, these Directors consider that the acquisition of the shares in PPS held by Gosatti Corporation Pty Ltd is in the best interests of the Shareholders and the Company.

As Mr Gosatti has a material personal interest in Resolution 5, Mr Gosatti declines to make a recommendation to Shareholders on this Resolution.

iv) *Other Information*

The attention of Shareholders is drawn to the Company's ASX announcement of 25 September 2006 (set out above) and to the Independent Expert's Report, in particular, the comments of the Independent Expert on the key advantages and disadvantages to the non-associated Shareholders of the proposed acquisition as set out in section 9.8 of their report, a copy of which is attached to this Explanatory Memorandum.

Resolution 6 – Ordinary Resolution for Shareholder Approval to Issue Options to Trevor Adriano Gosatti or his Nominee

Subject to the passing of Resolution 5, it is proposed that ShieldLiner enter into an employment contract with Mr Trevor Adriano Gosatti to engage Mr Gosatti to manage on a full time basis the expanded Premium Pipe Services Pty Ltd ("PPS") business. Shareholders are referred to the commentary to Resolution 5 above for further information, in particular the Company's ASX release of 25 September 2006.

The Board established a committee comprising Messrs Hassen and McDonald ("the Committee") to negotiate the terms of Mr Gosatti's employment contract('the Agreement").

Mr Gosatti through his family was a major seed capital provider to the Company on its acquisition of the original ShieldLiner patent application in February 2002. He was appointed a non executive director of the Company at that time.

Mr Gosatti is Director of Premium Corporation Pty Ltd, a Western Australian based civil contracting company Mr Gosatti established Premium Corporation Pty Ltd in 1995 with his two brothers (Michael and Renny) a business which now has a turnover in excess of $10 million per year and employs approximately 50 people. He has accreditations in quality systems, Occupational Health and Safety, PVC and Sintakote pipe laying and advanced traffic management.

Mr Gosatti is the immediate past State President of the Civil Contractors Federation and serves as a National Councillor to the National body of the Civil Contractors Federation.

On its establishment in January 2006, Mr Gosatti assumed the role of managing director of PPS. PPS is currently owned equally by Alinta Asset Management (2) Pty Ltd, Gosatti Corporation Pty Ltd and the Company. As set out in the commentary to Resolution 5 above, the Company is seeking to acquire all of the shares held in PPS.

One of the major factors in the success of early stage companies such as ShieldLiner and PPS, is their management expertise and the commitment of their management. ShieldLiner and its proposed subsidiary PPS is fortunate to have been able to secure the services of someone with Mr Gosatti's background and experience and the Committee is confident that he has the necessary skills, focus and dedication to take PPS forward to be a significant operator in the Australian trenchless technology contracting industry. As part of the acquisition of the interests in PPS and in the interests of both the Company and Mr Gosatti, it was considered essential that the employment arrangements with Mr Gosatti were both well documented and transparent.

Accordingly ShieldLiner has agreed to enter into a formal employment agreement ("Agreement") with Mr Gosatti setting out the terms and conditions of his appointment as Managing Director of PPS, upon the completion of the Company's acquisition of PPS. The employment contract comes into effect on 1 December 2006 and is conditional on Shareholders approving Resolution 5.

In negotiating the terms and conditions of the Agreement one of the key objectives of the Committee was to ensure that payments and benefits under the Agreement were linked to the performance of the PPS and ShieldLiner Shareholder returns. The Committee was also cognisant of the need to ensure the Company retained, motivated and provided appropriate incentives to the PPS Managing Director and to ensure his package was commensurate with payments made to chief executives of similar sized companies with essentially start up businesses.

The Agreement does not contain any provisions which allow Mr Gosatti to receive financial benefits, other than statutory entitlements, in connection with his retirement or removal from the position of Managing Director of PPS ("Benefits"). Accordingly Shareholder approval is not required to approve any termination provisions of Mr Gosatti's proposed employment contract.

The following table sets out the key terms of the Agreement:

Condition Precedent	Mr Gosatti will only be employed pursuant to the contract if Shareholders approve Resolution 5 and the issue of Options pursuant to Resolution 6.
Term	The Agreement is opened ended with no fixed term and provides for three months notice of termination bey either party.
Accountability	Mr Gosatti will report to the Managing Director of the Company or such other person(s) as the Board may nominate
Base Salary	Mr Gosatti's proposed remuneration package at the commencement of the term is $160,000 per annum and this amount incorporates his salary, the provision of a fully maintained motor vehicle and superannuation contributions. The total package is to be reviewed annually with effect from 1 July each year. As an executive director of the Board, Mr Gosatti will no longer receive non-executive director fees. Mr Gosatti has been paid non-executive directors' fees of $1,000 per month since listing of ShieldLiner in August 2004.
Annual Discretionary Performance Linked Bonus	Mr Gosatti will also be eligible to receive an annual discretionary performance linked bonus ("**Bonus**"). The Bonus may be earned for Mr Gosatti's performance during each financial year ending 30 June but will be finally determined and paid following the closing of the books and records of the Company for the financial year, and review by the Board and the Company's independent auditors. The amount of any Bonus will be determined by the Board after taking into account the degree of achievement by Mr Gosatti of agreed upon budgets and targets. The determination of budgets and targets will be negotiated and agreed with Mr Gosatti on an annual basis and will include objectives in terms of meeting sales and profit objectives, development of recurring income streams, cost control and both the timely and cost effective delivery of development programs and longer term contracts.
Employee Share Option Scheme	Subject to Shareholder approval from time to time, Mr Gosatti will be eligible to participate in the Scheme at a level commensurate with his position in the Company and as determined by the Board.
Other Provisions	The Agreement contains standard provisions dealing with leave entitlements, expense reimbursements, indemnity arrangements, directors and officers insurance, mediation, confidentiality and intellectual property ownership and rights. None of which are considered by the Committee to be either unreasonable or excessive to the Company.

In determining Mr Gosatti's remuneration package, the Committee was cognisant of the need to provide remuneration at a level necessary to attract and retain a person with Mr Gosatti's background and experience to enable PPS to operate as a subsidiary of a listed company. At the same time, the Committee recognised that the Company should not pay more than was necessary for such a position, and has structured Mr Gosatti's remuneration package in a manner which links rewards to both corporate and individual performance. It was also noted by the Committee that in addition to being Managing Director of PPS, Mr Gosatti would also continue as a Director of the Company

In determining Mr Gosatti's remuneration package and employment contract provisions, the Committee considered that the major principles to meet were:

- to provide a package that was competitive in the marketplace given Mr Gosatti's roles and duties;
- to attract and retain an executive capable of achieving the Company's objectives; and
- to align the interests of the Mr Gosatti with the interests of Shareholders and thus incorporate appropriate incentives and equity participation.

As noted above Mr Gosatti's proposed employment arrangements provides that subject to Shareholder approval Mr Gosatti will be eligible from time to time to participate in the Company's Employee Share Option Scheme at a level commensurate with his position in the Company and as determined by the Board.

It is proposed on entering into the Agreement that Mr Gosatti be granted 200,000 Options. The grant of these Options are not being made pursuant to the Scheme.

The proposed grant of Options to Mr Gosatti is on similar terms and conditions as the Options proposed to be granted to Mr McDonald pursuant to Resolution 4, namely, the Options can be exercised at any time after Shareholder approval but before 5 August 2009. If not exercised beforehand, the Options lapse within twelve months of Mr Gosatti ceasing to be a Director of the Company. 100,000 of the Options are exercisable at a price of 30 cents and the remaining 100,000 Options have an exercise price of 35 cents each. 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 approved by Shareholders, details of which are incorporated in the commentary below on Resolution 7. Where the Scheme provisions differ from the foregoing conditions the foregoing conditions take precedence.

Whilst the proposed exercise prices of the Options to be issued to Mr Gosatti or his nominee pursuant to Resolution 6 is at prices between approximately 80 % and 101 % higher than the weighted average price of shares sold in the 30 days prior to the announcement of the PPS and GRE transactions on 25 September 2006, the granting of the Options may constitute the giving of a financial benefit pursuant to the Corporations Act and accordingly Shareholder approval is being sought to approve the issue of these Options.

ASX Listing 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the Company. As set out above, Mr Gosatti is a related party and accordingly Shareholder approval is also sought under Resolution 6 for the purposes of ASX Listing Rule 10.11. As Shareholder approval is being sought pursuant to ASX Listing 10.11 approval is not required under ASX Listing Rule 7.1.

The Board remains of the view that there is a need for an appropriate alignment between the rewards to Directors and returns to Shareholders and that in small essentially start up type companies Options are an appropriate long term incentive for Directors, provided the terms of the Options are properly designed. In particular, it is important that there are appropriate performance conditions in place as a condition of vesting of any Options. For the offer of Options to Mr Gosatti to be in the money requires a significant increase in the Share price above the weighted average price of shares sold in the 30 days prior to the announcement of the PPS and GRE transactions on 25 September 2006.

Any issue of Options to a Director requires Shareholder approval and accordingly, Shareholder approval is being sought pursuant to Resolution 6 to issue Trevor Adriano Gosatti or his nominee with 100,000 Options at an exercise price of $0.30 (30 cents) per Share and 100,000 Options at an exercise price of $0.35 (35 cents) per Share.

ASX Listing Rules

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in respect of Resolution 6.

1. The Options will be granted to Mr Gosatti or his nominees within 1 day of Shareholder approval.

2. The issue price for the Options will be nil. Accordingly, there will be no funds raised from the issue of these Options. Further funds may be raised on the eventual exercise of the Options, however, there is no guarantee that the Options will be exercised at any future time. Such funds will be used for the purpose of providing working capital to the Company.

3. The total number of Options and exercise price per Share of the Options to be issued to Mr Gosatti or his nominees is as follows;

Director	**30 Cent Exercise Price**	**35 Cent Exercise Price**
TA Gosatti	100,000	100,000

4. The Options can be exercised at any time after Shareholder approval but before 5 August 2009.

5. If not exercised beforehand, the Options lapse within 12 months of Mr Gosatti ceasing to be a director of the Company.

6. All other terms and conditions pertaining to the grant of the Options will be in accordance with the conditions stipulated in the Scheme, details of which are incorporated in the commentary below on Resolution 7. Where the Scheme provisions differ from the foregoing conditions the foregoing conditions take precedence.

7. The Company will not be seeking official quotation of the Options on ASX.

Corporations Act

The following additional information is given in connection with the proposed grant of Options to Mr Gosatti or his nominees for the purposes of section 219(1) of the Corporations Act.

i) *Identity of Related Parties*

The related party to whom proposed Resolution 6 would permit financial benefits is Mr Trevor Adriano Gosatti or his nominee.

ii) *Nature of the Financial Benefit and Nature of Directors' Interests*

The nature of the financial benefit and the direct interest of Mr Trevor Adriano Gosatti in Resolution 6 if passed is the grant of 200,000 Options to Mr Trevor Adriano Gosatti or his nominee for no consideration, expiring approximately two years and nine months after the date of grant of the Options, and on the terms and conditions set out in this Explanatory Memorandum. No other Directors have an interest in the outcome of Resolution 6.

iii) *Recommendation of the Directors*

Messrs Hassen, Land, McDonald and Zuiderwyk have recommended the proposed Resolution 6 to Shareholders and they do not have a material personal interest in the outcome of the Resolution. These Directors consider that the proposed grant of Options, in the number, on the terms and having a value as set out in this Explanatory Memorandum, to Mr Gosatti pursuant to this Resolution, is appropriate and reasonable to provide Mr Gosatti with an incentive for future performance in his role as Managing Director of the Company's proposed subsidiary Premium Pipe Services Pty Ltd. After a comprehensive assessment of all available material information, the Directors believe that the proposed grant of Options to Mr Gosatti is in the best interests of the Company and its Shareholders.

As Mr Gosatti has a material personal interest in Resolution 6 (set out above in (ii)), Mr Gosatti declines to make a recommendation to Shareholders on this Resolution.

iv) *Other Information*

Further details regarding the Company's proposed acquisition of Premium Pipe Services Pty Ltd and the appointment of Mr Gosatti as managing director of Premium Pipe Services Pty Ltd upon completion of the acquisition is set out in the commentary on Resolutions 5 and 6 in this Explanatory Memorandum. Shareholders should note that this Resolution is subject to the approval of Resolution 5.

If the proposed Resolution 6 is passed and the Options are granted and then all exercised, the percentage shareholding in the Company of all then existing Shareholders would be diluted by a maximum of 0.5% by the issue of the Shares upon exercise of the Options. This assumes no other outstanding Options are exercised and no further Shares are issued by the Company.

Using the methodology outlined in the Option Pricing Model, Generalised Black Scholes, Version 2, for valuing employee share options, for the grant of the Options to Mr Gosatti the financial benefit is $0.01 (1.01 cents) per Option for those Options with an exercise price of 30 cents and $0.005 (0.54 cents) per Option for those Options with an exercise price of 35 cents per Option calculated utilising the following assumptions:-

- Current share price — 18 cents
- Exercise price — either 30 or 35 cents as the case may be
- Time to maturity — 1013 days from date of issue announcement
- Interest rate — 5.75%
- Volatility — 25%

On the basis of the proposed option issue and applying the Black Scholes method for valuing options the financial benefit being provided to Mr Gosatti pursuant to Resolution 6 is $1,546. The number of Shares and Options held by or on behalf of each Director and their associates in the Company at the date of the Notice are as follows:

Director	Shares	Options	% Shareholding (on undiluted basis)
John Hassen	3,583,900	800,000	9.61
Julian Land	50,000	200,000	0.13
Trevor Gosatti	1,700,360	200,000	4.56
Tony Zuiderwyk	28,400	-	0.08
James McDonald	100,000	-	0.27

The Company's issued capital at the date of this Notice was 37,295,000 Shares. In addition to the foregoing Options proposed to be issued to Mr Gosatti, at the date of this Notice 220,000 Options have been issued by the Company to employees pursuant to the Company's Employee Share Option Scheme and 300,000 Options are proposed to be issued to Mr McDonald pursuant to Resolution 4. On the assumption that the Options the subject of Resolutions 4 and 6 are issued and exercised, all of the existing Options are exercised and that no further Shares are issued by the Company, the interest of Mr Gosatti in the Shares is 5.36%.

If the Options were exercised at the time of the announcement of the PPS and GRE transactions on 25 September 2006 there would be no opportunity cost to the Company as the Share price at which the Company's Shares were trading on ASX at that time was below the exercise price of the Options. The market price for Shares during the term of the Options would normally determine whether or not Mr Gosatti exercises the Options. If at the time any of the Options are exercised the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.

The highest and lowest price trading price of the Shares in the Company over the past 12 months has been as follows:

Highest – 29 cents on 5 January 2006
Lowest - 12 cents on 29 June 2006

The most recent closing price of Shares on ASX prior to the lodgment of the Notice with ASIC was 17.5 cents on 17 October 2006.

Resolution 7 –Approval for the Continuation of the ShieldLiner Limited Employee Share Option Scheme Listing Rule 7.2 (Exception 9).

Under Chapter 7 of the ASX Listing Rules limitations are placed on the capacity of a company to enlarge its capital base through the issue of equity securities without first obtaining shareholder approval. ASX Listing Rule 7.1 provides generally that a company may not issue shares, options or other securities with rights to subscribe for or to convert into shares equal to more than 15% of the company's issued share capital in any 12 months without first obtaining shareholder approval.

Listing Rule 7.2 (Exception 9) of the Listing Rules of Australian Stock Exchange Limited excludes from the calculation of securities that can be issued, whilst still retaining the Company's 15% capacity to issue further securities, issues of options pursuant to a Shareholder approved share option scheme. . In order to comply with Listing Rule 7.2 (Exception 9) approval of the exception for the issues of options pursuant to a Shareholder approved share option scheme must be renewed every three years.

Resolution 7 seeks renewal of Shareholder approval for Options issued pursuant to the ShieldLiner Limited Employee Share Option Scheme ("Scheme") to continue to be incorporated as an exception to Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited. In accordance with the requirements of Listing Rule 7.2 (Exception 9 (b)) the following additional information is provided in respect of the Scheme and securities issued since the date of the last approval was granted.

At a meeting of Shareholders held on 18 December 2003 Shareholders approved the establishment of the Scheme. A summary of the terms of the Scheme was incorporated in the Company's initial public offering prospectus dated 7 May 2004.

The purpose of the Scheme is to provide a means by which employees of the Company, including Directors, upon whom the responsibilities for the successful growth of the Company rest, can share in such growth, thereby strengthening their commitment to the Company. The full terms and conditions of the Scheme are available for inspection at the Company's registered office at 81-85 Prinsep Road, Jandakot, Western Australia, during normal business hours. Alternatively, upon request to the Company Secretary, a copy will be mailed or provided electronically to any Shareholder.

Pursuant to the Scheme, and subject to any approvals required by the Corporations Act and the Listing Rules of the ASX the Directors may from time to time resolve to grant such number of Options, at such exercise price to such employees of the Company as determined by the Directors.

The principal terms of the Scheme are as follows:

The Company may issue Options to employees or their nominated associate under the Scheme. Those eligible to receive securities under the Scheme are employees and directors of the Company.

The total number of Options that may be offered pursuant to the Scheme shall not exceed 5% of the issued capital of the Company from time to time.

The main terms of the Options that may be granted under the Scheme are as follows:

(a) Each Option entitles the holder, upon exercise, to be allotted one fully paid ordinary share in the capital of the Company.

(b) The exercise price of the Options must not be less than the greater of twenty (20) cents or 120% of the market value of Shares or such greater price determined by the Board.

(c) Options shall be exercisable within such period(s) or upon such event(s) as the Directors specify, provided the maximum exercise period is five (5) years and no Option may be exercised before the expiration of twelve months from its grant except in the event of a change of control of the Company in which case arrangements will apply to that the Options can either be converted, bought back or substituted on such terms and conditions as the Board considers fair and reasonable having due regard to the interests of all equity holders in the Company.

(d) Generally, Options shall lapse within 30 days of the participant ceasing to be an employee or a director for any reason although a longer period can be stipulated by the Board on a case by case basis. In the event of death, permanent incapacity, retirement or at the end of a contract of service, a maximum period of 90 days is allowed to exercise those Options that are exercisable.

(e) Options may be exercised by the Option holder delivering to the Company before the expiry date a notice specifying the number of Options to be exercised, an option certificate covering that number of Options and payment for the exercise price.

(f) Options may only be transferred with the approval of the Board.

(g) Shares issued upon the exercise of Options shall rank equally in all respects with existing Shares.

(h) The Options will not entitle the Option holder to dividends until the Options are exercised.

(i) Each Option will only entitle the Option holder to participate in new (other than bonus issue or similar transaction) issues of Shares or other securities of the Company on the prior exercise of the Option in which case the Option holder shall be given written notice of the terms of issue to Shareholders at least nine (9) business days before the record date for the issue, to exercise the Option.

(j) In the event of a bonus issue to Shareholders the number of Shares over which each Option is exercisable shall be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue. The bonus shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the bonus issue and rank equally in all respects with other shares of that class on issue at the date of issue of the bonus shares.

(k) Options will not be quoted on ASX. Application for listing will be made for Shares allotted pursuant to the exercise of Options in the event the Shares are listed.

(l) An application for Options shall be made by persons invited to participate in the Scheme in such form and upon such reasonable terms and conditions as are approved by the Directors from time to time.

(m) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the terms of Options will be reconstructed (as appropriate) in a manner which is consistent with the ASX Listing Rules.

The Directors will have the absolute unfettered discretion as to how many (if any) securities are granted pursuant to the Scheme from time to time and to whom (amongst eligible participants).

Any resolution made by the Board to grant options to a Director pursuant to the Scheme will require the prior approval of Shareholders pursuant to the provisions of the Corporations Act and the Listing Rules of the ASX.

The details of Options granted to employees pursuant to the Scheme since its establishment is set out below;

Grant date	Expiry date	Exercise price	Number of options
18 February 2005	18 February 2010	30 cents	200,000
31 December 2005	31 December 2010	30 cents	20,000

No Options have been issued to the Directors pursuant to the Scheme.

Resolution 8 - Shareholder Approval to increase Directors' Fees paid to Non-Executive Directors

In accordance with Clause 11.15 of the Company's constitution, the maximum aggregate amount payable annually as fees to non-executive directors of the Company (for their services as directors including their service on a committee of directors) must be approved by Shareholders. At a meeting of shareholders held on 18 December 2003 the maximum aggregate amount of Directors' fees payable to non-executive Directors was set at $100,000.

On the basis Resolutions 5 and 6 are passed the Company will then have two executive directors, namely Messrs Hassen and Gosatti and three non executive Directors. The Board currently pays fees of $12,000 per annum to each non-executive Director and $18,000 to the Chairman. These fees are certainly at the lower end of the range of fees payable to non-executive directors of comparable sized ASX listed companies. Additional day rate fees are payable to non executive directors on a case by case basis for work performed over and above the roles of the other non-executive directors, although it is noted such payments have been minimal over the last three years.

The proposal before the meeting is to increase the maximum aggregate amount of Directors' fees payable to non-executive Directors from $100,000 to $200,000 per annum. This amount:

- has been determined by reference to the size, nature and complexity of the Company's operations and the likely additional responsibilities of the Board following the proposed acquisition of Premium Pipe Services Pty Ltd and the GRE business;
- takes into account the Company's planned expansion into other complementary businesses and activities;
- compares favourably with the fees payable to directors of companies of comparable size; and
- allows for an increase in the number of directors of the Company if deemed necessary in the future.

Scope will then exist for increasing the fees payable to the non executive Chairman and to the existing non-executive Directors if the demands and responsibilities increase to a level where additional fees should be paid. Until further approvals are sought, the Board will operate from a maximum amount of $200,000 being available to pay non-executive Directors.

Given their interest in the subject matter of this resolution, the Non Executive Directors make no recommendation to Shareholders on Resolution 8. Mr Hassen and Mr Gosatti recommend the approval by Shareholders of Resolution 8 for the reasons set out above.

Independent expert's report and financial services guide
October 2006

ShieldLiner Limited

MOORE STEPHENS PERTH CORPORATE SERVICES PTY LTD

AFSL 240773

FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to the Independent Expert's Report on the Proposed Acquisition of shares in Premium Pipe Services Pty Ltd by ShieldLiner Limited ("ShieldLiner") Limited prepared at the request of the Directors of ShieldLiner for inclusion in a Notice of Meeting of Shareholders to be dated on or about 28 October 2006 pursuant to ASX Listing Rule 10.10.1.

Moore Stephens Perth Corporate Services Pty Ltd

Moore Stephens Perth Corporate Services Pty Ltd ("MSPCS") has been engaged by the directors of ShieldLiner to prepare an independent expert's report expressing our opinion as to whether or not the proposed acquisition is "fair and reasonable" to non-associated shareholders of ShieldLiner.

MSPCS holds an Australian Financial Services Licence – Licence No 240773.

Financial Services Guide

As a result of our report being provided to you we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial Services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a Report in connection with the issue of securities of a company or other entities.

Our report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our report (as a retail client) because of your connection with the matters on which our report has been issued. We do not accept instructions from retail clients and do not receive remuneration from retail clients for financial services.

Our report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in this report.

General Financial Product Advice

Our report provides general financial product advice only, and does provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposed Acquisition may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

We have charged fees for providing our report. The basis on which our fees will be determined has been agreed with, and will be paid by, the person who engaged us to provide the report. Our fees have been agreed on either a fixed fee or time cost basis.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of MSPCS or related entities but any bonuses are not directly in connection with any assignment and in particular are not directly related to the engagement for which our report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

MSPCS is the licensed corporate advisory arm of Moore Stephens Perth, Chartered Accountants and Business Advisers. The directors of MSPCS may also be partners in Moore Stephens Perth Chartered, Accountants and Business Advisers.

Moore Stephens Perth, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax, insolvency and financial advisory services to a wide range of clients.

MSPCS's contact details are set out on our letterhead.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, Moore Stephens, PO Box 3019, Perth Adelaide Terrace, WA 6832.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Industry Complaints Service ("FICS"). FICS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. MSPCS is a member of FICS. FICS may be contacted directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 78 08 08
Facsimile: (03) 9621 2291
Email: fics@fics.asn.au

11 October 2006

The Directors
ShieldLiner Limited
Lot 1003 Prinsep Road
JANDAKOT WA 6164

Dear Sirs

INDEPENDENT EXPERTS REPORT

1. INTRODUCTION

1.1 Overview

ShieldLiner Limited ("ShieldLiner") is a Public Company listed on the Australian Stock Exchange ("ASX"). The directors of ShieldLiner instructed Moore Stephens Perth Corporate Services Pty Ltd to prepare an independent experts report in relation to the proposed acquisition of shares in an entity ("the Proposed Acquisition") deemed to be owned by a related party.

The Proposed Acquisition can be summarised as follows:

- ShieldLiner presently owns 400,000 fully paid ordinary shares in Premium Pipe Services Pty Limited ("PPS"). This represents an equity interest in PPS of 33.33%.

- It is proposed that ShieldLiner will acquire the balance of shares in PPS, representing 66.67% of the total equity in PPS, being 800,000 ordinary fully paid shares for a purchase consideration of $800,000.

- Gosatti Corporation Pty Ltd as trustee for the Renaissance Trust ("GCPL") will sell its 400,000 ordinary fully paid shares (representing a one third equity interest in PPS) for $400,000. It is noted that Mr Trevor Gosatti is a director of GCPL, ShieldLiner and PPS and has an interest in both sides of the transaction. As such, he is deemed to be a related party and this part of the transaction requires an independent experts report.

- Alinta Asset Management (2) Pty Ltd ("AAM") formerly National Power Services Pty Limited will also sell its one third equity interest to ShieldLiner for $400,000. NPS AAM is an independent shareholder and is not considered a related party requiring an independent experts report.

- The purchase consideration will be by way of interest free promissory notes payable on 29 June 2007. The promissory notes are secured by a charge over the PPS shares being acquired.

- As a result of the Proposed Acquisition, ShieldLiner will have a 100% equity ownership of PPS.

- At the time of this report PPS has been appointed as, effectively, the exclusive distributor in Australia and New Zealand for a range of glass reinforced epoxy ("GRE") pipes and fittings manufactured by Fiber Glass Systems LP ("FGS"). As part of the distribution arrangements PPS will acquire certain assets and staff ("GRE acquisition") from the previous distributor, AAM, for $490,000. This acquisition is structured to occur concurrently with, and is contingent on, the successful acquisition of PPS by ShieldLiner.

- In regard to the GRE acquisition, as AAM is an independent shareholder and is not considered a related party requiring an independent expert's report, no comment is made in regard to the fairness and reasonableness of the GRE acquisition.

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1.2 Ownership Structure

ShieldLiner has on issue 37,295,000 fully paid ordinary shares which are quoted on the ASX and has on issue 1,420,000 options over ordinary shares. The ownership structure of ShieldLiner will not change as a result of the Proposed Acquisition.

2. PURPOSE OF THE REPORT

Chapter 10 of the ASX Listing Rules prohibits entities from entering into certain transactions with persons that are in a position of influence unless it receives the approval of shareholders in a general meeting.

Entities are prohibited by Listing Rule 10.1 from acquiring a substantial asset from a related party without shareholder approval. A substantial asset is defined in Listing Rule 10.2 as an asset with a value of, or the value of its consideration is, or in the opinion of the ASX is, 5% or more of the equity interests of the entity as set out in the latest financial statements given to the ASX under the Listing Rules. The Proposed Acquisition involves ShieldLiner acquiring a substantial asset from a related party, ie ShieldLiner will acquire the ownership interests in PPS held by Gosatti Corporation Pty Ltd a company related to Mr Trevor Gosatti.

Pursuant to Listing Rule 10.10.2, the Notice of Meeting which must be sent to shareholders must include an independent experts report on the transaction. The report must state whether the Proposed Acquisition is fair and reasonable to holders of the entities ordinary securities whose votes are not to be disregarded. In the absence of shareholder approval the Proposed Acquisition must be cancelled.

We note that there are no guidelines available to determine what constitutes "fair and reasonable" for the purpose of Chapter 10 of the ASX Listing Rules. In determining our criteria for assessing fairness and reasonableness we have considered the definition of "fair and reasonable" as outlined in the Australian Securities and Investments Commission ("ASIC") Policy Statement 74, which applies to approvals granted pursuant to Section 611 of the Corporations Act 2001, and have determined the principal consideration is whether non-associated shareholders are better off if the Proposed Acquisition proceeds than if it does not.

In the determination of what is "fair and reasonable" ASIC Policy Statement 74 notes:

"...what is fair and reasonable for non-associated shareholders should be judged in all the circumstances of the proposal. The report must compare the likely advantages and disadvantages for the non-associated shareholders if the proposal is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the proposal and the value of the consideration to be paid is only one element of this assessment..."

In forming our opinion on whether or not the Proposed Acquisition is fair and reasonable for the non-associated shareholders of ShieldLiner we have:

- Compared the fair value of the shares being acquired by ShieldLiner in PPS, with the value of the consideration offered of $400,000 in the form of promissory notes to be issued by ShieldLiner and

- Compare the likely advantages and disadvantages of the Proposed Acquisition.

Moore Stephens Perth Corporate Services Pty Ltd has been engaged by the Directors of ShieldLiner to prepare a report providing an independent opinion as to the fairness and reasonableness of the Proposed Acquisition for the purposes of Listing Rule 10.1. Our report has been prepared for the exclusive purpose of assisting the non-associated shareholders in their assessment of the Proposed Acquisition.

3. SUMMARY AND CONCLUSIONS

In our opinion the Proposed Acquisition is fair and reasonable, having regard to the interests of the non-associated shareholders of ShieldLiner.

This opinion is based on our view that the advantages of the Proposed Acquisition out weigh the disadvantages and consequently, the non-associated shareholders will be better off if the Proposed Acquisition proceeds than if it does not.

The principal factors affecting our opinion are summarised below and are discussed in more detail in Section 9 of this report.

3.1 Value of Shares being Acquired in PPS Compared to Consideration Being Paid

We have valued the PPS shares being acquired by ShieldLiner to be between $1.10 to $1.23.

This compares to the consideration being paid to the PPS shareholders of $400,000, equating to $1.00 per ordinary fully paid share.

Accordingly as the value of the shares being acquired by ShieldLiner in PPS is greater than the purchase consideration, we have assessed the Proposed Acquisition as being fair to ShieldLiner and to the non-associated shareholders of ShieldLiner.

3.2 Other Factors

Other Value Considerations

- **Shares in PPS Acquired from AAM**

Of the 66.67% equity interest proposed to be acquired in PPS 33.3% will be acquired from a related party and 33.33% will be acquired from an arms length party (AAM). The purchase consideration for both parcels of shares is the same ie $400,000. The fact that the purchase consideration for the related party acquisition is the same as that for the arms length acquisition provides further evidence that the purchase price represents fair value for shares in PPS.

- **GRE Acquisition**

Although we have not commented on the fairness and reasonableness of the GRE acquisition, the fact that this is an 'arm's length' transaction between non-related parties indicates that the consideration offered by PPS is fair.

Key Advantages

By virtue of ShieldLiner controlling PPS, will provide greater flexibility over the strategic direction of PPS to ensure that it maximises the position and interests of ShieldLiner.

The Proposed Acquisition will provide ShieldLiner with control over PPS and to this end provides ShieldLiner with a dedicated commercial contracting business, which it can use to assist in the commercialisation of the ShieldLiner Technology and take advantage of cross selling opportunities.

The Proposed Acquisition should realise cost benefits, as we are advised that all group companies will be located from one location, with cost savings anticipated in areas such as accounting and administration.

Key Disadvantages

The Proposed Acquisition will result in an increase in liabilities, albeit by way of interest free promissory notes payable to the vendors of the PPS shares.

As noted in the report, PPS has limited historical financial results and our assessment as to the financial performance of PPS has been based upon forecast results, in relation to which there is considerable inherent uncertainty and risk as to whether or not actual financial results achieved will meet or achieve forecasts.

This opinion should be read in conjunction with the attached report, which outlines our detailed findings and the scope of this report.

Yours faithfully

Neil Pace
Director

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The remainder of this report is divided into the following sections:

4. SOURCES OF INFORMATION

In preparing this report and arriving at our opinion we have considered a number of sources of information as detailed in Appendix 2 to this report.

The statements and opinions in this report are made in good faith and have been based upon information believed to be reliable and accurate. We have relied upon the information set out in Appendix 2 and have no reason to believe that any material factors have been withheld from us.

5. PROFILE OF THE INDUSTRY

Introduction

PPS has been established with the objective of becoming a major Australian trenchless technology contractor. Trenchless technologies are techniques for the installation, replacement, renovation and repair of pipes, ducts and other underground apparatus with minimum excavation from the surface, and also includes associated techniques such as leak detection, inspection and location of existing infrastructure. The business PPS undertakes includes the rehabilitation of pipes, CCTV inspections and assessments, pipe cleaning, ShieldLiner relining services, pipe bursting, slip lining, rehabilitation utilising proprietary CIP systems, cutting and any other trenchless technology services and other activities required by customers from time to time.

The following overview of the pipeline industry was provided by the management of ShieldLiner.

Industry Overview

Major advances have been made in recent years in pipeline technology, however, typical sewerage and water distribution systems in many cities worldwide contain a large percentage of older pipes.

The problems of maintaining ageing pipe infrastructure is highlighted by the knowledge that in the Australian water industry, it is estimated there are some 150,000 kilometres of water mains and 96,000 kilometres of sewer and sewerage pumping mains. Despite Australia having a relatively newer pipe infrastructure the system is nevertheless subject to breaks and chokes. In 2000/2001 the average number of reported water main pipe breaks and leaks was 31 per 100 kilometres of pipe or approximately 46,500 failures per annum.

In Australian sewer mains the average number of reported breaks or chokes in 2000/2001 was 44 per 100 kilometres. The vast majority of breaks in sewer mains in Australia are caused by tree root intrusion, which is also the main cause of breaks or chokes in house service lines that connect households to the sewer main. If the cost associated with water infiltration and exfiltration into the sewer system are also included, the cost of breaks or chokes to Australian water authorities escalates significantly.

Unaccounted for water is usually attributed to several causes including leakage, metering errors and theft, however, leakage is the major cause. Water leakage can be a costly problem, not only in terms of wasting a natural resource but also in economic terms. The primary economic loss due to leakage is the cost of raw water, its treatment and transportation. Leakage inevitably also results in secondary economic loss in the form of damage to the pipe network itself such as erosion of pipe bedding and major pipe breaks, and in the form of damage to foundations of roads and buildings.

Besides the environmental and economic losses caused by leaking pipes can create a public health risk, as every leak is a potential entry point for contaminants if a pressure drop occurs in the system.

As pipe assets age, they tend to break more frequently. However, it is not cost-effective to replace most pipes before, or even after, the first break. It may be cost-efficient for utilities to endure some number of breaks before funding complete replacement of their pipes. Considering the size of aging pipe infrastructure created in the last century, it is anticipated that there will be a significant increase in break rates and therefore repair costs over the coming decades. This will occur even when utilities are making efficient levels of investment in replacement that may be several times today's levels.

A utility can choose to manage its infrastructure replacement needs in various ways. For example, the utility may accept increased break repair costs up to a point and delay the replacement of an old pipe, rehabilitate certain pipes to "buy time," or adopt other asset management techniques to extend the life of the pipes as long as possible. Nevertheless, it appears inevitable that many utilities will face substantial increases in infrastructure investments over the next 30 years, to replace pipes laid down over 100 years ago.

Water authorities around the world are facing an aging infrastructure that brings with it significant economic challenges. In many of these utilities a significant amount of buried infrastructure is at or very near the end of its expected life span. Most utilities have not faced the need to replace huge amounts of this infrastructure before now because the infrastructure was too young.

There will be a growing conflict between the need to replace worn-out infrastructure and the need to invest in compliance with regulatory standards concerning water quality. In addition, the concurrent demands for investment in wastewater infrastructure and compliance with regulatory requirements in respect of sewerage and waste water infiltration, exfiltration and overflows will compete for capital and maintenance budgets

Water Authorities require the capacity to economically reline and rehabilitate pipes rather than incur considerable costs in energy, disruption to services, roads and vegetation associated with a replacement only solution. There is a considerable existing international market for utilising trenchless technologies for refurbishing pipes rather than replacing pipes, particularly when the rehabilitate decision can be supported by solutions that provide both economic and environmental life of system advantages.

PPS's target market consists of government agencies, municipal councils and private pipeline owners and operators. The available market in storm water and sewerage pipe repair, rehabilitation and associated services is currently estimated at approximately $200 million per year and is expected to double in size over the next 5 years. Major competitors are Drilline Pty Ltd. (part of the Georgiou Group in WA), Collex Nodig, Kembla Watertech and Interflow. They have a combined estimated market share of approximately 80% of the storm water and sewerage pipe repair and rehabilitation market.

6. PROFILE OF SHIELDLINER LIMITED

6.1 Background

ShieldLiner was incorporated on 21 May 2001 as ShieldLinerCo Pty Ltd with an issued capital of 1,000,000 fully paid to $0.01 ordinary shares. It was established to specifically develop and commercialise, what was at the time, a patent pending innovative new pipe relining and rehabilitation technology known as the ShieldLiner System. The ShieldLiner System has potential applications in the water, sewerage, storm water, oil, gas and mining industries.

ShieldLinerCo Pty Ltd converted to a public company on 28 February 2002. On 7 January 2004, the company changed its name to ShieldLiner Limited and its shares were listed on the Australian Stock Exchange on 10 August 2004.

6.2 Corporate Structure

ShieldLiner owns 400,000 ordinary fully paid shares in PPS, which represents 33.33% of the issued capital in PPS.

6.3 Share Capital and Ownership

ShieldLiner has on issue 37,295,000 fully paid ordinary shares, which are quoted on the ASX.

In addition the company has on issue 1,420,000 options to acquire ordinary shares. The Board of Directors have also granted 300,000 options but these have not vested as their issue is subject to approval of shareholders.

A summary of ShieldLiner's major shareholders as at 30 June 2006 is as follows.

Shareholder	Number of Shares	Percentage of Issued Capital
Golden Rivers Mining Pty Ltd	11,690,020	31.34
John Witford & Leonie Margaret Hassen	3,295,900	8.84
National Power Services (WA) Pty Ltd	2,102,500	5.64
Alinta Asset Management 2 Pty Ltd (formerly National Power Services Pty Ltd)	1,840,000	4.93
Gosatti Corporation Pty Ltd	1,200,360	3.22
Sord Technologies Limited	960,000	2.57

6.4 Financial Position

Set out below is the audited statement of financial position of ShieldLiner as at 30 June 2006.

Statement of Financial Position	As at 30 June 2006 $
Current Assets	
Cash Assets	1,190,871
Inventories	14,723
Receivables	353,937
Total Current Assets	**1,559,531**
Non-Current Assets	
Plant and Equipment	109,020
Investments accounted for using the equity method	368,406
Intangible Assets	614,891
Total Non-Current Assets	**1,092,317**
Total Assets	**2,651,848**
Current Liabilities	
Payables	138,578
Provisions	10,350
Total Current Liabilities	**148,928**
Non-Current Liabilities	
Payables	78,050
Provisions	17,361
Deferred Tax Liabilities	136,038
Total Non-Current Liabilities	**231,449**
Total Liabilities	**$380,377**
Net Assets	**2,271,471**
Equity	
Contributed Equity	3,346,049
Option Premium Reserve	48,394
Accumulated Losses	(1,122,972)
Total Equity	**$2,271,471**

6.5 Trading Results

The consolidated audited financial results for the years ended 30 June 2005 and 2006 are summarised below:

	30 June 2006 $	30 June 2005 $
Revenue from Ordinary Activities	497,496	100,377
Loss from Ordinary Activities before Income Tax	(477,137)	(801,810)
Income Tax Revenue relating to ordinary activities	288,508	272,428
Net loss	(188,629)	(529,382)

7. PROFILE OF PREMIUM PIPE SERVICES PTY LTD

7.1 Background and History of Premium Pipe Services Pty Ltd ("PPS")

PPS was incorporated on 4 July 2005 with an issued capital of 2 fully paid ordinary shares. It was formed to undertake contracting activities in the water and sewerage industry. It did not commence commercial activities until February 2006.

7.2 Share Capital and Ownership

PPS currently has on issue 1,200,000 ordinary fully paid shares of $1.00 each. A summary of PPS shareholders is as follows:

Shareholder	Number of Shares	Percentage of Issued Capital
ShieldLiner	400,000	33.33
Alinta Asset Management 2 Pty Ltd (formerly National Power Services Pty Ltd)	400,000	33.33
Gosatti Corporation Pty Ltd as trustee for the Renaissance Trust *	400,000	33.33%
Total	1,200,000	100.00%

*Note: Entity related to Mr T Gosatti.

Other than the two shares issued on incorporation of the company on 4 July 2005, all of the remaining shares on issue were issued pursuant to various agreements detailed below.

ShieldLiner Limited

- ShieldLiner paid cash of $400,000 for the issue of 400,000 ordinary shares. These shares were issued pursuant to a Share Subscription Agreement dated 20 December 2005.
- ShieldLiner has also provided a licence to PPS to use the ShieldLiner products and trade mark in Australia and New Zealand for a licence fee of $400,000. The term of the licence is 5 years with a renewal option for a further 5 years.
- Pursuant to the licence agreement, PPS is to pay for ongoing supply of materials, equipment and any labour provided by ShieldLiner.
- It is understood that there are no other licences issued for the use of the ShieldLiner system.

Alinta Asset Management 2 Pty Ltd (formerly National Power Services Pty Ltd)

- Alinta Asset Management 2 Pty Ltd (formerly National Power Services Pty Ltd) paid cash of $400,000 for the issue of 400,000 ordinary shares. These shares were issued pursuant to a Share Subscription Agreement dated 20 December 2005.

Gosatti Corporation Pty Ltd as trustee for the Renaissance Trust ("GCPL")

- GCPL acquired its shares from Trevor Gosatti (issued on incorporation), Premium Corporation Pty Ltd and Chartag Pty Ltd.
- Premium Corporation Pty Ltd and Chartag Pty Ltd were issued shares pursuant to Purchase and Sale of Assets Agreements dated 20 December 2005. The details of the assets acquired and the values ascribed thereto were as follows:

Vendor	Assets Transferred	Value
Premium Corporation Pty Ltd	Motor vehicles, plant and equipment	$276,000
Chartag Pty Ltd	Plant and equipment	$ 74,000
Premium Corporation Pty Ltd	Benefits associated with existing works	$ 49,998
Total		$399,998

7.3 Directors

The directors of PPS as at 30 June 2006 were as follows:

Director	Date Appointed
Trevor Adriano Gosatti	4 July 2005
John Witford Hassen	7 February 2006
Antony Martin Zuiderwyk	7 February 2006.

7.4 Financial Position

Set out below is the statement of financial position for PPS as at 30 June 2006.

Statement of Financial Position	As at 30 June 2006 $
Current Assets	
Cash and cash equivalents	158,886
Trade and other receivables	138,916
Inventories	28,899
Prepayments	24,000
Total Current Assets	**350,701**
Non-Current Assets	
Fixed Assets	316,286
Intangible assets	429,998
Deferred tax asset	40,621
Total Non-Current Assets	**786,905**
Total Assets	1,137,606
Current Liabilities	
Trade Creditors	15,835
Accrued expenses	16,208
Amount owing to related party	345
Total Current Liabilities	**32,388**
Total Liabilities	**32,388**
Net Assets	**1,105,218**
Equity	
Issued Capital	1,192,511
Accumulated Losses	(87,293)
Total Equity	**1,105,218**

7.5 Trading Results

A summary of the trading results for PPS now follows:

	30 June 2006 $
Sales Revenue	199,924
Loss before income tax	(124,704)
Income tax credit	37,411
Loss for the Year	(87,293)

It is noted that the trading results noted above are for the period February 2006 to 30 June 2006.

7.6 GRE Acquisition

At the time of this report PPS has been appointed as, effectively, the exclusive distributor in 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. As part of the distribution arrangements PPS will acquire certain assets and staff ("GRE acquisition") from the previous distributor, AAM, for $490,000.

The purchase consideration is to be satisfied by the payment of a deposit of $250,000 payable on execution of the asset purchase agreement and the issue by PPS of an interest free unsecured promissory note of $240,000 payable on 29 June 2007. The promissory note will be guaranteed by ShieldLiner and ShieldLiner will advance the deposit funds to PPS. These deposit funds are being provided to PPS as an interest free loan repayable on demand.

As AAM is an independent shareholder and is not considered a related party requiring an independent expert's report, no comment is made in regard to the fairness and reasonableness of this acquisition.

Although we have not commented on the fairness and reasonableness of this acquisition, the fact that this is an 'arm's length' transaction between non-related parties indicates that the consideration offered by PPS is fair. Furthermore, the GRE acquisition financial information provided to us by ShieldLiner indicates that the acquisition will have a positive financial impact on PPS.

The GRE acquisition is structured to occur concurrently with, and is contingent on, the successful acquisition of PPS by ShieldLiner.

8. METHODOLOGY

We have set out under Section 2 in our assessment of the Proposed Acquisition that we have had regard to the criteria applicable to approvals granted pursuant to Section 611 of the Corporations Act 2001. In particular ASIC Policy Statement 74 provides that the assessment of whether the transaction requiring approval under Section 611 of the Corporations Act is fair and reasonable should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not.

Accordingly we consider the Proposed Acquisition to be fair and reasonable to non-associated shareholders of ShieldLiner if they are likely to be better off if the Proposed Acquisition proceeds than if it does not. In forming our opinion we have had regard to:

- The value of the shares being acquired by ShieldLiner in PPS compared to the consideration being paid for by ShieldLiner and the financial impact which this will have on ShieldLiner and the non-associated shareholders.
- Potential impact on ShieldLiner consequent upon controlling PPS.
- Any other commercial factors which may impact on ShieldLiner non-associated shareholders as a result of the Proposed Acquisition.

8.1 Accepted Valuation Methodologies

ASIC Practice Note 43 states that it is appropriate for the independent expert to consider various methodologies in forming an opinion as to whether a particular transaction may be considered fair and reasonable. In conducting our assessment, the following valuation methodologies have been considered:

- The value of trading operations based on the capitalisation of future maintainable earnings.
- The value which would be realised upon the orderly realisation of the assets.
- The discounted value of projected future cash flows.

8.2 Capitalisation of Future Maintainable Earnings

A valuation based on the capitalisation of future maintainable earnings requires the determination of three key factors: (i) future maintainable earnings ("FMEs"), (ii) an appropriate capitalisation rate and (iii) the value of surplus assets. The capitalisation of earnings is appropriate where the earnings of the company are sufficient to justify a value exceeding the value of the underlying assets. This method is commonly used in valuing established profitable businesses.

In valuing an on-going entity it is usual to estimate a figure for the future maintainable profits and to multiply this earnings figure at an appropriate capitalisation multiple or price earnings ratio ("PER").

When assessing future maintainable earnings it is important to estimate an earnings figure intended to represent maintainable earnings. The inherent risk in the volatility of earnings and the relative weighting given to forecast rather than actual results in determining a maintainable earnings figure is reflected by the choice of an appropriate multiple.

Capitalisation multiples may be determined by reference to comparable companies. This process involves an examination of companies operating in a similar industry and comparing the relative advantages and disadvantages of those companies with the business subject to the valuation.

8.3 Orderly Realisation of Assets

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets on the basis of an assumed orderly realisation. Consequently, this method may ignore the ability of the asset base of the business to generate ongoing future earnings at a level sufficient to justify a value in excess of the value of its assets in an orderly realisation. Costs associated with the sale of the assets or business segments are deducted as part of the assessment.

8.4 Discounted Cash Flows

The discounted cash flow technique values a project on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period. Application of this technique generally requires a five year minimum period of analysis. In addition, a sensitivity analysis for variations in key assumptions adopted needs to be performed. The discounted cash flow method is commonly used to value early stage projects or projects with a finite life

8.5 Selection of Methodology

In selecting our methodology we have considered following:

- Although only trading for a relatively short time, it is noted that when PPS commenced trading, it had in place contracts which secured ongoing work.
- Furthermore, it has continued to secure additional contracts and preferred supplier status with municipalities and other clients, which should generate further ongoing work and revenue.
- PPS has forecast that it will generate ongoing profitable trading results into the foreseeable future.

Accordingly, it is considered that the future earnings expected to be derived by PPS should be used as the basis for the valuation of PPS and its shares. In this regard it is considered that the most appropriate method is the adoption of the capitalisation of future maintainable earnings to determine a fair market value for the business enterprise of PPS, which can then be used to calculate a value for the PPS shares.

9. ASSESSMENT OF FAIRNESS AND REASONABLENESS

Assessment of Value of PPS

9.1 Valuation Methodology

As noted in Section 8, we have adopted the capitalisation of future maintainable earnings method in valuing the business enterprise of PPS. This methodology involves capitalising the earnings for a business at an earnings multiple that reflects the risks of the business and its earnings stream.

The application of this methodology involves:

Assessment of future maintainable earnings – which requires an estimation of earings having regard to historical and forecast operating results, non recurring or abnormal income or expenditure and known factors likely to impact on operating performance.

Assessment of an earnings multiple – this requires the consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, whether the earnings for valuation purposes reflect historical or forecast earnings, growth prospects, and relative business risk.

Calculation of the business enterprise – applying the earnings multiple to the assessed future maintainable earnings derives the value of the business enterprise, this being the value of the core PPS business assets, which we have assumed includes fixed assets, goodwill and inventories.

Calculation of equity value – in order to determine the value of the equity value, an adjustment must be made for other assets and liabilities of PPS, which are not included in the value of the business enterprise.

9.2 Assessment of Future Maintainable Earnings

The future maintainable earnings represent the level of earnings which the existing operations of PPS could reasonably be expected to generate. As PPS only has reported historic operating results from February 2006 to 30 June 2006, it is necessary to consider future projected results, and in this regard PPS has prepared forecast operating results for the 2007 and 2008 financial years, which can be summarised as follows:

	Forecast Year Ending 30 June 2007	Forecast Year Ending 30 June 2008
Sales Revenue	\$1,638,000	\$3,455,000
Earnings Before Interest Taxes and Amortisation (EBITA)	\$359,899	\$792,378

Key Assumptions in Support of Forecast Results

GRE Acquisition

It is important to note that the forecast financial information provided for PPS specifically excludes any revenues and costs associated with the GRE acquisition and likewise our comments and assessment of future maintainable earnings have specifically excluded any revenues or costs associated with the GRE acquisition. Furthermore, the projected operating results for PPS did not take into account any forecast operating results from the GRE acquisition.

Sales Revenue – The assumptions used for the forecast sales revenue has been based upon revenue generation from:

(i) revenues derived from secured contracts and appointments to preferred supplier positions with existing clients,
(ii) revenues forecast to be derived from sewerage rehabilitation work which is still to be secured and
(iii) revenues forecast to be derived from use of the ShieldLiner pipe relining system, which is still to be secured and has been forecast to commence in 2008.

Direct and Overhead Expenditure – the assumptions for the expenditures have been based upon an application of:

(i) costs which are considered to be fixed,
(ii) costs which are considered to be variable and are dependent upon sales revenue, as well as,
(iii) costs which have been attributed to specific revenue items, such as costs associated with pipe relining.

Most Likely Estimate Scenario – we are advised by PPS that they consider the forecast results to reflect a most likely case scenario. In the determination of these forecasts they have applied relatively conservative estimates.

Comments Regarding Assumptions

We have reviewed the forecast results and the underlying assumptions with management of PPS and although we have not had the opportunity to review in detail each of the assumptions used in the preparation of the forecasts, in general the approach taken to determine the underlying assumptions used in the forecast appears to be relatively satisfactory. To this end, we have placed a significant degree on reliance on the experience which the management of PPS have in civil and contracting works and their ability to assess earnings which may be derived from prospective contracts and works yet to be awarded to PPS.

However, as with any prospective results these reflect an estimate of future outcomes and have an inherent degree of uncertainty and risk that these results will or will not be achieved.

In regard to this risk, it is noted that the forecast results project a significant increase in revenue over the historical results achieved to date, assuming that PPS will secure contracts to provide pipeline rehabilitation services and pipe relining services using the ShieldLiner system. Furthermore, this forecast increase in sales revenue has been assumed to be derived from relatively new service lines for PPS, which have no comparable historical financial results yet reported by PPS.

Estimate of Maintainable Earnings for PPS

In determining the future maintainable earnings to be used for the valuation of the business operations of PPS, we have considered the forecast results and namely the results which the management of PPS consider to reflect a pessimistic scenario, which assumes (i) that the pipeline rehabilitation work will not commence until 2008, (ii) no allowance has been made for other work not already secured and (iii) no allowance has been made for the sales revenue arising from the ShieldLiner pipe relining work.

The resulting forecast operating results under this scenario can be summarised as follows:

Forecast Operating Results (Pessimistic Scenario)

	Forecast Year Ending 30 June 2007	**Forecast Year Ending 30 June 2008**
Sales Revenue	$1,038,000	$1,655,000
Earnings Before Interest, Taxes and Amortisation (EBITA)	$119,963	$252,378

For valuation purposes, it is considered that the forecast operating results as noted in the pessimistic scenario above reflects a more appropriate basis to base the future maintainable earnings for PPS. As such we have adopted an EBITA, based upon the EBITA of $252,378 for 2008.

9.3 Assessment of Earnings Multiple

Based on comparable business multiples and adjusted for various discounts and premiums, we have determined an earnings multiple in the range of 2.4 to 3.0 times EBITA to be applied against the future maintainable earnings of $252,378.

In determining this earnings multiple, we have taken into account the following factors:

- Prices achieved in mergers and acquisitions of comparable companies and businesses, both listed and unlisted.
- The risk associated with using forecast results as opposed to historical results.
- The risk associated with PPS forecasting high sales revenue growth.
- Potential for growth not accounted for in the EBITA used.
- Premium for control.

9.4 Value of PPS Business Enterprise

By applying the earnings multiple to the future maintainable earnings, the calculated range of values for the business enterprise, being the total of the fixed assets, goodwill and inventories of PPS can be summarised as follows:

	Low Value	High Value
EBITA Multiple	**2.4**	**3.0**
Value of Business Enterprise	**$610,592**	**$764,782**

9.5 Value of Equity Value for PPS

The value of the net equity of PPS has been calculated after taking into account other assets and liabilities not accounted for in the valuation of the business enterprise of PPS. In this regard we have adopted the written down values as noted in the financial statements as at 30 June 2006 for PPS. The resultant range of equity values for PPS can be summarised as follows:

	Low Value	High Value
EBITA Multiple	**2.4**	**3.0**
Value of Business Enterprise	**$610,592**	**$764,782**
Add: Other Assets	**$742,423**	**$742,423**
Less: Liabilities	**($32,388)**	**($32,388)**
Equity Value	**$1,320,627**	**$1,474,817**
Value Per Share	**$1.10**	**$1.23**

9.6 Comparison of Values

Under the Proposed Acquisition ShieldLiner will purchase 400,000 ordinary shares of PPS for a consideration of $400,000, by way of a promissory note payable on 29 June 2007, equating to $1.00 per ordinary share. This compares to the assessed fair market value of the shares in PPS of between $1.10 to $1.23.

9.7 Other Value Considerations

Of the 66.67% equity interest proposed to be acquired in PPS 33.3% will be acquired from a related party and 33.33% will be acquired from an arms length party (AAM). The purchase consideration for both parcels of shares is the same i.e. $400,000. The fact that the purchase consideration for the related party acquisition is the same as that for the arms length acquisition provides further evidence that the purchase price represents fair value for shares in PPS.

9.8 Advantages and Disadvantages to the Non-Associated Shareholders - Reasonableness

Key Advantages

The following advantages were identified in relation to the Proposed Acquisition:

- **The Proposed Acquisition is Fair** – We have concluded that the Proposed Acquisition is fair and as such, this is an advantage to the non-associated shareholders and is one factor to consider when assessing whether the Proposed Acquisition is also reasonable.

- **Control Over PPS** – By virtue of ShieldLiner controlling PPS this provides greater flexibility over the strategic direction of PPS to ensure that it maximises the position and interests of ShieldLiner. The control over PPS will facilitate business expansion initiatives, such as the GRE acquisition, and allow the flexibility to finance these acquisitions by way of borrowings, rather than by agreed upon capital management requirements under the existing PPS ownership structure.

- **Commercialisation of ShieldLiner Technology** – the Proposed Acquisition will provide ShieldLiner with control over PPS and to this end provides ShieldLiner with a dedicated commercial contracting business, which it can use to assist in the commercialisation of the ShieldLiner Technology and take advantage of cross selling opportunities.

- **General Synergies and Cost Savings** – The Proposed Acquisition should realise cost benefits, as we are advised that all group companies will be located from one location, with cost savings anticipated in areas such as accounting and administration.

Key Disadvantages

The following disadvantages were identified with respect to the Proposed Acquisition:

- **Increase in Borrowings** – the Proposed Acquisition will require an increase in liabilities, albeit by way of interest free promissory notes payable to the vendors of the PPS shares.

- **Uncertainty as to Forecast Information** – as noted in the report, PPS has limited historical financial results and our assessment as to the financial performance of PPS has been based upon forecast results in relation to which there is considerable inherent uncertainty and risk as to whether or not the actual financial results will equal or exceed forecasts.

9.9 Conclusion

In regard to all of our considerations, we are of the opinion that the Proposed Acquisition is fair and reasonable to non-associated shareholders of ShieldLiner.

APPENDIX 1:

QUALIFICATIONS AND DECLARATIONS

Moore Stephens Perth Corporate Services Pty Ltd is a professional practice company wholly owned by the Partners of the Perth practice of Moore Stephens Chartered Accountants. The firm is part of the National and International network of Moore Stephens independent firms and provides a wide range of professional accounting and business advisory services.

Moore Stephens Perth Corporate Services Pty Ltd holds an Australian Financial Services License and its principals are suitably professionally qualified with substantial experience in professional practice. The director responsible for signing this report is:

Mr Neil Fenton Pace, Bachelor of Business (WAIT), Member of the Institute of Chartered Accountants and a Registered Company Auditor. He has been involved in the preparation of numerous Independent Experts Reports as well as other financial advisory and valuation assignments.

At the date of this report neither Mr Pace or any member or Director of Moore Stephens Perth Corporate Services Pty Ltd had any interest in the outcome of the Proposed Acquisition except that Moore Stephens Perth Corporate Services Pty Ltd is entitled to receive professional fees for the preparation of this report based on the time occupied at normal professional rates estimated to be approximately $15,000.

Neither Moore Stephens Perth Corporate Services Pty Ltd nor Mr Pace take any responsibility for nor have they authorised or caused the issue of any part of this report for any third party other than the Directors and shareholders of ShieldLiner in the context of the scope and purpose defined in section 2 of this report.

The statements and opinions expressed in this report are given in good faith and with reliance upon information generated both independently and internally and with regard to all of the circumstances pertaining to the Proposed Acquisition.

In regard to any projected financial information noted in this report, no member or Director of Moore Stephens Perth Corporate Services Pty Ltd has had any involvement in the preparation of the projected financial information. Furthermore we do not provide any opinion whatsoever as to the projected financial results prepared for PPS and in particular do not provide any opinion as to whether or not the projected financial results will or will not be achieved by PPS.

We have held discussions with management of ShieldLiner and PPS regarding the information contained in this report. We do not change the methodology used in our assessment as a result of discussions and our independence has not been impaired in any way.

APPENDIX 2:

SOURCE OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Audited financial statements of ShieldLiner for the years ended 30 June 2004, 2005 and 2006.
- Publicly available information in relation to share prices.
- ASX announcements of ShieldLiner.
- Discussions with management of ShieldLiner in relation to the present and future operations of the company.
- Discussions with management of PPS regarding the present and future operations of the company.
- Trenchless industry research as provided by the management of ShieldLiner.
- Financial statements of PPS for the year ended 30 June 2006.
- Forecast financial results of PPS for the years ended 30 June 2007 and 2008, together with underlying assumptions.
- Additional information provided by management of ShieldLiner and PPS pertaining to the forecast financial results.
- Various legal agreements pertaining to the issue of shares by PPS.
- Documents outlining contracts and tenders awarded to PPS.
- Draft notice of meeting seeking shareholder approval of the Proposed Acquisition.