**Vortex Pipes Limited**
ABN 80 096 870 978
Suite 9, 330 Churchill Avenue, Subiaco WA 6008
PO Box 866, Subiaco WA 6904
**T** +61 8 6489 1600 **F** +61 8 6489 1601
**W** www.vortexpipes.com

28 February 2014

The Manager
Companies Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

**ASX Announcement**
**Appendix 4D – Half-Year Report**
**Financial Report for the Half-Year ended 31 December 2013**

Please find attached Appendix 4D – Half-Year Report and the Company's Half-Year Financial Report for the period ended 31 December 2013.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and accordingly the financial report should be read in conjunction with the annual financial report for the year ended 30 June 2013.

The financial report for the half year ended 31 December 2013 incorporates a review of operations during the period.

Yours sincerely,

Trevor Gosatti
**Managing Director**

## VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITY
## APPENDIX 4D
## for the half-year ended 31 December 2013

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### RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | |
|---|---|
| **Revenue from Ordinary Activities:** | $3,578 |
| **Revenue Corresponding Period:** | $16,694 |
| **Percentage Change:** | Down 366% |
| | |
| **Net Loss Attributed to Members:** | $(341,447) |
| **Previous Corresponding Period:** | $(106,448) |
| **Percentage Change:** | Up 221% |
| | |
| **Net Comprehensive Loss Attributed to Members:** | $(341,447) |
| **Previous Corresponding Period:** | $(106,448) |
| **Percentage Change:** | Up 221% |

**There is no proposal to pay a dividend.**

| | |
|---|---|
| **Net Tangible Assets Per Security:** | 0.0085 |
| **Previous Corresponding Period:** | 0.0196 |

Vortex Pipes Limited

ACN 096 870 978

# FINANCIAL REPORT

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

## CONTENTS

**FINANCIAL REPORT**
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**



This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Vortex Pipes Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

## CORPORATE DIRECTORY

**Directors**
Patrick Corr (Chairman)
Trevor Gosatti (Managing Director)
James Robinson (Non-Executive Director)
Brett Matich (Non-Executive Director)
Sean McGrath (Non-Executive Director)

**Company Secretary**
Loren Jones

**Registered Office**
Suite 9, 330 Churchill Avenue,
Subiaco, WA 6008
Tel: (08) 6489 1600
Fax: (08) 6489 1601
Email: loren@cicerocorporate.com.au

**Postal Address**
PO Box 866
Subiaco, WA 6904

**Principal Place of Business**
Unit 6, 110 Inspiration Drive
Wangara, WA 6065
Tel: (08) 9302 5151
Fax: (08) 9302 5076
Email: trevor.gosatti@vortexpipes.com

**Website**
www.vortexpipes.com

**Auditors**
Pitcher Partners Corporate & Audit (WA) Pty Ltd
Level 1, 914 Hay Street
Perth, WA 6000

**Share Registry**
Security Transfer Registrars Pty Ltd
Alexandra House
Suite 1, 770 Canning Highway
Applecross WA 6153
Tel: (08) 9315 2333
Fax: (08) 9315 2233

**Patent Attorney**
Wray & Associates
Level 4, 1 William Street
Perth, WA 6000

**Banker**
National Australia Bank
Level 1, 1238 Hay Street
West Perth, WA 6005

**Home Stock Exchange**
Australian Securities Exchange Limited
Exchange Plaza
Level 2, The Esplanade
Perth, WA 6000

**ASX Code**: VTX

The Directors present their report of Vortex Pipes Limited ("Vortex" or the "Company") and its controlled entity (together referred to as "the Group"), for the half-year ended 31 December 2013 and the auditor's review report thereon. This report has been prepared in accordance with Australian Accounting Standards.

## Directors

The Directors of the Company during the half-year and up to the date of this report are:

Mr Patrick Corr (Chairman, Non-Executive Director)
Mr Trevor Gosatti (Managing Director)
Mr James Robinson (Non-Executive Director)
Mr Brett Matich (Non-Executive Director)
Mr Sean McGrath (Non-Executive Director) appointed 17 January 2014

### Information about the Appointed Director

Mr McGrath has over 17 years' experience in financial reporting, accounting and corporate advisory for companies operating in the North American oil and minerals industry. His expertise and specific knowledge of the region and industry are of great strategic importance to the Company, as it works to establish key distribution partners for Vortex's flagship proprietary ShieldLiner pipeline rehabilitation technology. Mr McGrath is based in Vortex Pipes' Canadian office. Previous roles held by Mr McGrath include Chief Financial Officer and General Manager positions at Abenteuer Resources, Minera IRL Limited, and Hamilton Resource Group.

## Results

The loss for the consolidated entity for the half-year was $341,447 (31 December 2012: loss $106,448).

## Review of Operations

### ShieldLiner Technology

Consistent with its stated intention to explore commercialisation opportunities for the ShieldLiner Technology in North America, the Company engaged in early stage discussions with numerous parties who expressed an interest in possible distribution arrangements in this jurisdiction. These discussions led to the signing of a Technology Non-Disclosure Agreement ("NDA or "Agreement") with an engineering group based in the United States ("US"), The Kelley Group ("the Kelley Group"). The NDA is in relation to confidential information about the Company's wholly-owned ShieldLiner Technology and its potential distribution into the US markets.

The ShieldLiner Technology is a world first, proprietary trenchless pipe rehabilitation technology, developed in-house, which restores the structural integrity and functionality of damaged or ageing pipelines.

The unique, international award-winning design is the world's first true 'pipe rehabilitation' trenchless system as it rehabilitates the original pipe and applies a new thin liner to it for additional properties. It utilises pressure to impregnate structural resins through the new thin liner and the existing damaged pipe line, without any excavation required. The finished 'rehabilitated pipe' by the ShieldLiner system is ideal for pressure pipelines in water, oil and gas industries.

The Company continues to explore further commercialisation or distribution arrangements with other groups based in North America and globally.

### Snelgrove DSO Iron Ore Project

On 23 May 2013, Vortex announced it had entered into option agreements to acquire up to 100% of the Snelgrove DSO iron ore project located in Newfoundland Labrador, Canada, from TSX-listed Cap-Ex Iron Ore Ltd ("Cap-Ex Iron Ore") and Preston Mineral Resources Ltd ("Preston"). The Project, which consists of 593 continuous claims covering a total area of 148 square kilometres, adjacent to mineral claims and hematite deposits owned by Mamba Minerals Ltd (ASX: MAB).

**Snelgrove DSO Iron Ore Project (Continued)**

Mamba Minerals Ltd utilised data from a 200 metre spaced Falcon Gravity survey, flown in 2010, to identify the hematite mineralisation it has since successfully drilled at its adjoining Snelgrove Lake Project. Due to the success of the 2010 survey, Vortex and Mamba Minerals Ltd agreed to commission a joint low level, high resolution airborne Falcon Gravity and Magnetometer survey, conducted by Fugro Airborne Surveys. The survey consisted of approximately 754 line kilometres at 100 metre spacing of which 435 line kilometres were directly over the project area under option by Vortex. Vortex is continuing to review this and other data as part of its formal due diligence under the option agreements, under which it has until 30 June 2014 complete the process and proceed with the acquisition or not.

## Corporate

During the half-year the Company issued 625,000,000 options following shareholder approval received in August 2013. These options were free attaching to the share placement completed in June 2013. A further placement of 1,000,000,000 options raised $100,000 (before costs of the offer).

## Changes in State of Affairs

There were no significant changes in the state of affairs of the Group other than as referred to elsewhere in this consolidated half-year report and in the accounts and notes attached thereto.

## Subsequent Events

On 20 January 2014 the Company announced the appointment of Mr Sean McGrath as a Non-Executive Director and its North American Chief Financial Officer (CFO). Mr McGrath brings to the role over 17 years' experience in financial reporting, accounting and corporate advisory for companies operating in the North American oil and minerals industry.

On 30 January 2014 the Company announced that it has signed a Technology Non-Disclosure Agreement with an engineering group based in the United States, The Kelley Group. The NDA is in relation to confidential information about the Company's wholly-owned ShieldLiner technology and its potential distribution into the US markets. The Agreement remains in place for a two year period, beginning the date of execution. Under the terms of the Agreement, The Kelley Group will be unable to work with any other competing trenchless pipeline technology companies for the full duration of the two year period.

## Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

This report is presented in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Patrick Corr
**Chairman**

Perth
28 February 2014

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of Vortex Pipes Limited and its controlled entity**

In relation to the independent review for the half-year ended 31 December 2013, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

**PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD**

C P Leong

**C P LEONG**

Executive Director

**28 February 2014**

**INDEPENDENT AUDITOR'S REVIEW REPORT**
**TO THE MEMBERS OF**
**VORTEX PIPES LIMTITED AND ITS CONTROLLED ENTITY**

We have reviewed the accompanying half-year financial report of Vortex Pipes Limited and controlled entity, which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the period's end or from time to time during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vortex Pipes Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**INDEPENDENT AUDITOR'S REVIEW REPORT**
**TO THE MEMBERS OF**
**VORTEX PIPES LIMTITED AND ITS CONTROLLED ENTITY**

*Emphasis of Matter*

Without qualifying our conclusion, we draw attention to Note 2(d) in the half-year financial report, which indicates that the consolidated entity incurred a net loss attributable to owners of $341,447 for the half-year ended 31 December 2013. These conditions along with other matters set forth in Note 2(d) give rise to a material uncertainty which may cast a significant doubt about the ability of the consolidated entity to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vortex Pipes Limited and its controlled entity is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

**PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD**

C P Leong

**C P LEONG**

Executive Director

**28 February 2014**

## DIRECTORS' DECLARATION

The Directors of Vortex Pipes Limited declare that:

1. the financial statements and accompanying notes, as set out on pages 8 to 14 are in accordance with the *Corporations Act 2001*, and:

   (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*; and

   (b) give a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

2. in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for on behalf of the Directors by:

Patrick Corr
**Chairman**

Perth
28 February 2014

## VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITY
## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## for the half-year ended 31 December 2013

| | Half-year ended 31 Dec 2013 $ | Half-year ended 31 Dec 2012 $ |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| Interest income | 3,578 | 3,226 |
| Profit on disposal of non-current assets | - | 13,468 |
| **Total continuing operations** | **3,578** | **16,694** |
| | | |
| **EXPENSES** | | |
| Research and development costs, materials and consultants fees | (36,860) | - |
| Directors' fees, salaries, superannuation and consulting costs | (127,969) | (19,530) |
| Depreciation expenses | (4,633) | (6,818) |
| Public company costs, fees, share registry, shareholder costs | (18,964) | (14,995) |
| Occupancy costs | (21,937) | (19,816) |
| Legal fees | (3,414) | - |
| Audit fees | (4,174) | - |
| Insurances | (6,269) | (12,301) |
| Other expenses from ordinary activities | (48,805) | (49,682) |
| Corporate fees | (72,000) | - |
| **Total expenses** | **(345,025)** | **(123,142)** |
| | | |
| Loss before income tax | (341,447) | (106,448) |
| Income tax benefit | - | - |
| **Net loss for the period** | **(341,447)** | **(106,448)** |
| Other comprehensive income | - | - |
| **Loss attributable to members of Vortex Pipes Limited** | **(341,447)** | **(106,448)** |
| | | |
| Basic loss per share (cents per share) | (0.0001) | (0.00571) |
| Diluted loss per share (cents per share) | (0.0001) | (0.00571) |

The financial statements should be read in conjunction with the accompanying notes.

# VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITY
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## as at 31 December 2013

| | Notes | 31 Dec 2013 $ | 30 June 2013 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 179,490 | 522,446 |
| Trade and other receivables | | 26,368 | 12,190 |
| Other current assets | | 141,405 | 121,589 |
| **Total Current Assets** | | **347,263** | **656,225** |
| | | | |
| **Non-Current Assets** | | | |
| Plant and equipment | 3 | 40,137 | 44,770 |
| **Total Non-Current Assets** | | **40,137** | **44,770** |
| **Total Assets** | | **387,400** | **700,995** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | | 119,905 | 186,053 |
| **Total Liabilities** | | **119,905** | **186,053** |
| **Net Assets** | | **267,495** | **514,942** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 4 | 9,811,391 | 9,811,391 |
| Option reserve | 4 | 657,097 | 563,097 |
| Accumulated losses | | (10,200,993) | (9,859,546) |
| **Total Equity** | | **267,495** | **514,942** |

The financial statements should be read in conjunction with the accompanying notes.

# VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITY
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the half-year ended 31 December 2013

| | Share Capital $ | Option Reserve $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 July 2012** | 9,022,123 | 563,097 | (9,483,089) | 102,131 |
| ***Comprehensive expense for the period*** | | | | |
| Loss for the period | - | - | (106,448) | (106,448) |
| **Total comprehensive loss for the period** | **-** | **-** | **(106,448)** | **(106,448)** |
| *Transactions with owners in their capacity as owners* | | | | |
| Shares issued | 534,158 | - | - | 534,158 |
| Share issue costs | (36,469) | - | - | (36,469) |
| **Balance at 31 December 2012** | **9,519,812** | **563,097** | **(9,589,537)** | **493,372** |
| **Balance at 1 July 2013** | 9,811,391 | 563,097 | (9,859,546) | 514,942 |
| ***Comprehensive expense for the period*** | | | | |
| Loss for the period | - | - | (341,447) | (341,447) |
| **Total comprehensive loss for the period** | **-** | **-** | **(341,447)** | **(341,447)** |
| *Transactions with owners in their capacity as owners* | | | | |
| Options issued | - | 100,000 | - | 100,000 |
| Option issue costs | - | (6,000) | - | (6,000) |
| **Balance at 31 December 2013** | **9,811,391** | **657,097** | **(10,200,993)** | **267,495** |

The financial statements should be read in conjunction with the accompanying notes.

## VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITY
## CONSOLIDATED STATEMENT OF CASH FLOWS
## for the half-year ended 31 December 2013

| | Half-year ended 31 Dec 2013 $ | Half-year ended 31 Dec 2012 $ |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Payments to suppliers and employees | (440,533) | (207,465) |
| Interest received | 3,578 | 3,226 |
| **Net cash used in operating activities** | **(436,956)** | **(204,239)** |
| **Cash Flows from Investing Activities** | | |
| Proceeds on disposal of plant and equipment | - | 55,808 |
| **Net cash provided by investing activities** | **-** | **55,808** |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issues of options | 100,000 | 534,158 |
| Payment for option issue costs | (6,000) | (36,469) |
| Repayment of borrowings | - | (40,147) |
| **Net cash provided by financing activities** | **94,000** | **457,542** |
| Net Increase/ (Decrease) In Cash Held | (342,956) | 309,111 |
| Cash at the beginning of the period | 522,446 | 214,233 |
| **Cash at the end of the period** | **179,490** | **523,344** |

The financial statements should be read in conjunction with the accompanying notes.

**1. Reporting Entity**

Vortex Pipes Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report as at and for the six months ended 31 December 2013 covers the consolidated group of Vortex Pipes Limited and its controlled entity (together referred to as the "consolidated entity" or "Group").

**2. Basis of preparation of half-year report**

***a) Statement of compliance***

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Standards IAS 34 *Interim Financial Reporting*. The consolidated interim financial report has been prepared on the accruals basis and on an historical cost basis

This interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, this financial report is to be read in conjunction with the annual financial statements for the year ended 30 June 2013 and any public announcements made by Vortex Pipes Limited during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX listing rules.

The same accounting policies and methods of computation have generally been applied in these half-year financial statements as compared with the most recent annual financial statements.

***b) Significant accounting judgments and key estimates***

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2013.

***c) Adoption of new and revised Accounting Standards***

Due to new or revised accounting standards which became operative for the reporting period, the Group has reviewed the revised Standards below:

(i) AASB 10 Consolidated Financial Statements

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities the parent control.

Under AASB 10, the Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The Group has applied AASB 10 retrospectively in accordance with the transition provisions. The Group has determined that AASB 10 has no impact on the composition of the consolidated group. Therefore, no adjustments to any of the carrying amounts are required.

(ii) AASB 11 Joint Arrangements

Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement, rather than the legal structure of joint arrangements.

If the parties share the right to the net assets of the joint arrangement, these parties are parties to a joint venture. A joint venturer accounts for an investment in the arrangement using the equity method, and the choice to proportionately consolidate will no longer be permitted.

If the parties share the right to the separate assets and obligations for the liabilities of the joint arrangement, these parties are parties to a joint operation. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement by recognising their share of interest in each item.

The group has applied AASB 11 retrospectively in accordance with the transition provisions. The group has determined that AASB 11 has no impact on the composition or performance of the consolidated group. Therefore, no adjustments to any of the carrying amounts are required.

***c) Adoption of new and revised Accounting Standards***

(iii) AASB 13 Fair Value Measurement

AASB 13 introduces a fair value framework for all fair value measurements as well as the enhanced disclosure requirements. Application of AASB 13 does not materially change the group's fair value measurements.

In the half-year ended 31 December 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

***d) Going Concern***

The consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the half-year ended 31 December 2013 of $341,447 (31 December 2012: $106,448), and a net cash outflow from operations of $436,956 (31 December 2012: $204,239). At 31 December 2013, the Group has net current assets of $227,358 (31 December 2012: $443,476) and net equity of $267,495 (31 December 2012: $493,375).

The Group's ability to continue as a going concern and pay its debts as and when they fall due is dependent upon the following:

a) the Group will continue to raise additional capital via any means available to it inclusive of, but not limited to placements, option conversions, rights issues, loans or assets sale in a timely manner in order to pursue business in North America and fund the ongoing activities of the Group and the acquisition;

b) the Group will not proceed with the acquisition of tenements if no sufficient funds are raised;

c) the Group will have alternative plans to pursue other business opportunities in North America if no sufficient funds are raised; and

d) the non-executive directors will not invoice any fees or payments for their services and; Cicero Corporate Services Pty Ltd, a related entity of Mr James Robinson, will not invoice/accrue the monthly corporate administration services fees if the Group is not in a position to pay the fees.

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will achieve the matters set out above and be able to pay its debts as and when they fall due.

The financial statements are normally prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the Group has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.

| **3. Plant and equipment** | **31 Dec 2013** | **30 June 2013** |
|---|---|---|
| | **$** | **$** |
| Carrying amount at beginning of the period | 44,770 | 99,054 |
| Disposals | - | (42,341) |
| Depreciation expenses | (4,633) | (11,943) |
| **Carrying amount at reporting date** | **40,137** | **44,770** |

## 4. Issued Capital and Reserves

| | 31 Dec 2013 No. | 31 Dec 2013 $ | 30 June 2013 No. | 30 June 2013 $ |
|---|---|---|---|---|
| **Ordinary shares** | | | | |
| *Movement in number of fully paid ordinary shares* | | | | |
| Opening balance | 3,141,972,236 | 9,811,391 | 1,753,888,901 | 9,022,123 |
| Shares issued at $0.0007 per share | - | - | 763,083,335 | 534,158 |
| Shares issued at $0.0005 per share | - | - | 625,000,000 | 312,500 |
| Transaction costs arising from issue of shares | - | - | - | (57,390) |
| **Closing balance** | **3,141,972,236** | **9,811,391** | **3,141,972,236** | **9,811,391** |
| **Reserve** | | | | |
| *Movement in number of options* | | | | |
| Opening balance | 1,500,000,000 | 563,097 | 1,000,000,000 | 563,097 |
| Options issued | 1,000,000,000 | 100,000 | 500,000,000 | - |
| Options issued | 625,000,000 | - | - | - |
| Transaction costs arising from issue of options | - | (6,000) | - | - |
| **Closing balance** | **3,125,000,000** | **657,097** | **1,500,000,000** | **563,097** |

## 5. Events occurring after reporting date

On 20 January 2014 the Company announced the appointment of Mr Sean McGrath as a Non-Executive Director and its North American Chief Financial Officer (CFO). Mr McGrath brings to the role over 17 years' experience in financial reporting, accounting and corporate advisory for companies operating in the North American oil and minerals industry.

On 30 January 2014 the Company announced that it has signed a Technology Non-Disclosure Agreement with an engineering group based in the United States, The Kelley Group. The NDA is in relation to confidential information about the Company's wholly-owned ShieldLiner technology and its potential distribution into the US markets. The Agreement remains in place for a two year period, beginning the date of execution. Under the terms of the Agreement, The Kelley Group will be unable to work with any other competing trenchless pipeline technology companies for the full duration of the two year period.

## 6. Contingent liabilities

During the period the Company received a claim from German based supplier for an amount of €22,161.73 (AUD 34,229). The claim appears to date back to dealing with Premium Pipe Services Pty Ltd, a 100% wholly owned subsidiary of Vortex Pipes Ltd, in 2009. The Company has been advised by its legal representatives that the claim is vague and appears to be misconceived and without merit. The Company intends to maintain its dispute of this claim.

## 7. Segment reporting

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group operates primarily in the development of the ShieldLiner System technology. The financial information presented in the consolidated statement of comprehensive income and consolidated statement of financial position is the same as that presented to the chief operating decision maker.

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

## 8. Related party transactions

During the period ended 31 December 2013 the following related party transactions were undertaken between the Group and director related entities:

- Under an engagement letter dated 1 January 2013, Cicero Corporate Services Pty Ltd, a company related to Mr Robinson, a current director of Vortex Pipes Limited, agreed to provide services inclusive but not limited to financial reporting, company secretarial services, rent and office administration to the Group for a monthly fee of $12,000 (31 December 2012: $12,000). Amounts of $72,000 (31 December 2012: $12,000) excl GST were billed based on normal market rates for such services and were due and payable under normal payment terms.
- 0937614 BC Ltd, a company related to Mr Matich, a current director of Vortex Pipes Limited, agreed to provide rental services in Vancouver, Canada to the Group for a monthly fee of CAD 2,000 (AUD 2,294) (31 December 2012: CAD NIL). Amounts of CAD 14,000 (AUD 16,061) (31 December 2012: CAD NIL) excl HST were billed based on normal market rates for such services and were due and payable under normal payment terms.