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ASX ANNOUNCEMENT

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The Board regrets to announce that the Commonwealth Bank of Australia (CBA) is appointing a Receiver to the Company. This follows the withdrawal of Zenon Environmental Inc (ZENON) from the agreement to take shares in Environmental Solutions International Ltd (ESI). The withdrawal came about as follows:



- ESI received a claim from Belmadar Constructions Pty Ltd, for approximately \$2,200,000. Apart from a minor amount the claim is strongly disputed by ESI.
- On Friday, 12 November 2004 an adjudicator appointed under the Victorian Building and Construction Industry Security of Payments Act determined that ESI should pay \$1,389,000 approximately into a separate account as security for the claim. This dispute relates to work carried out on the Mildura West Water Treatment Plant Contract in Victoria.
- The claim will be resolved in accordance with the dispute resolution procedures of the contract.
- Following advice from ESI's legal representatives, ESI disputes many of the conclusions of fact and law arrived at by the Adjudicator. Separately from the adjudication ESI has a claim for liquidated damages claim against Belmadar for up to \$475,000 approximately.
- As a consequence of the adjudication ESI was advised by ZENON that they do not wish to take up an equity position in the company as advised previously to the market.



The Board will work with the Receiver to minimise the impact on staff, creditors and clients.

