ENVIRONMENTAL SOLUTIONS INTERNATIONAL LTD

ABN 28 009 120 405

4 July 2006

Company Announcements Office
Australian Stock Exchange Limited

Dear Sir / Madam,

By e-Lodgement
2 Pages

UNITED STATES COMPANY PARTNERS ESI IN SIGNIFICANT DEVELOPMENT FOR THE COMMERCIALISATION OF ITS TECHNOLOGY

Environmental Solutions International Limited ("ESI") is pleased to announce the signing this week of a binding Memorandum of Understanding ("MOU") for the commercialisation of the brown coal technology with Victorian Coal Resources Pty Ltd ("VCR"), a subsidiary of US company, Geostar Corporation.

This announcement is a result of twenty years of research and development emanating from Melbourne University in the late 1980's and taken to a pre-commercial level over the past two years by ESI subsidiary, Asia Pacific Coal & Steel Pty Ltd.

Geostar is a major shareholder in Gastar Exploration Ltd, an oil and gas exploration company listed on the American and Toronto Stock Exchanges (AMEX;GST & TSX;YGA). Chesapeake Energy Corporation, the US's second largest producer of natural gas is also a major strategic shareholder in Gastar.

The financial backing of ESI for the "Clean Coal" technology by Geostar and associates, reflects the international recognition of the technology and heralds the commencement of potentially one of the biggest value resource plays ever attempted in Australia.

Under the MOU, the matching of the commercialised "Clean Coal" technology with the vast amounts of Victorian Brown Coal held by VCR, to produce CO2 reduced feedstock for power generation (up to 30% reduction), low cost high quality steel production, gasification and coal to oils has the opportunity for an entirely new export market.

The US Group have stated that, subject to infrastructure being in place, it is their intention to produce added value products based on brown coal at a target rate of 100 million tonnes per annum. The current lowest end commodity sales value of these products is $60 per tonne at very good projected margins.

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Gastar has signed a non binding Letter of Intent with VCR, committing to expenditures of up to $680 million for a 50% development interest in VCR's Gippsland Basin resources of approximately 1.0 million acres. Independent estimates show VCR has in excess of 10 billion tonnes of economic minable brown coal under lease.

Gastar President and CEO J. Russell Porter stated in a release to the TSX regarding the investment in Victorian "Clean Coal":

"We view the brown coal assets, coupled with the application of new and existing clean coal and coal to liquids (petroleum) technologies as an opportunity analogous to the world class Canadian Tar Sands play, in that a previously overlooked or low value resource base has become very valuable as a result of the application of various technologies and the current and projected commodity price environment."

Gastar Exploration Ltd Chairman Mr. Thom Robinson is visiting Melbourne mid July to finalise the detailed terms of a substantive agreement and to meet with government and industry representatives.

VCR as the joint venture vehicle representing ESI and US interests formally commences work on the 120 day scale up and commercialisation process at the Bacchus Marsh Pilot Plant base on July 1 2006.

Ends.

MURRAY D'ALMEIDA
Chairman and Chief Executive Officer