

ENVIROZEL LIMITED

A.C.N. 010 550 357

A.B.N 87 010 550 357

22 Hargreaves St
Huntingdale
Vic 3166

Tel : 03 9542 6060
Fax: 03 9542 6061

17 October 2005

Manager Companies,
Australian Stock Exchange
20 Bond Street
Sydney NSW 2000

Dear Sir,

Termination of Heads of Agreement

Earlier this year, Envirozel Limited announced that a Heads of Agreement had been signed to acquire the business of a Brisbane based company, IBC Water Pty Ltd. Since then, both parties have mutually agreed not to proceed with the acquisition.

Yours faithfully,

Ian Wallace
Company Secretary