ENVIROZEL LIMITED

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10 May 2006

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Company Update

The Directors of Envirozel Limited are pleased to announce the continued successful progress of the Envirozel Limited Group. In keeping all stakeholders informed, the Directors provide an update on the following matters:

SHARE OPTIONS

Our 2005 Annual Report stated that, as at 30th June 2005, there were 15,047,100 unlisted options on issue, which could have been exercised into fully paid ordinary shares on the following terms:

4,080,000 options exercisable	@ 30 cents on or before	30th June 2006
3,060,000 options exercisable	@ 40 cents on or before	30th June 2006
3,060,000 options exercisable	@ 50 cents on or before	30th June 2006
2,347,100 options exercisable	@ 30 cents on or before	14th September 2006
1,000,000 options exercisable	@ 30 cents on or before	7th June 2007
1,500,000 options exercisable	@ 11.05 cents on or before	31st December 2007

As a result of resolutions approved by shareholders at the 2005 A.G.M. a large proportion of the option have been cancelled, resulting in the only remaining ones being:

80,000 exercisable	@ 30 cents on or before	30thJune 2006
60,000 exercisable	@ 40 cents on or before	30thJune 2006
60,000 exercisable	@ 50 cents on or before	30thJune 2006
1,000,000 exercisable	@ 30 cents on or before	14th September 2006
1,000,000 exercisable	@ 30 cents on or before	7th June 2007
1,500,000 exercisable	@ 11.05 cents on or before	31st December 2007

ASSET SALE

The 15% stake the Company held in Zeolite Australia Pty. Ltd. has been sold, to the principal shareholders of that company, for its carrying value of $220,000. Payment will be by nine monthly instalments, two of which have already been received. The sale of this investment will assist in the growth of the Envirozel Limited Group by releasing cash resources.

LOAN REPAYMENT

Some years ago a secured convertible loan of $1,168,000 was arranged through Australian Ethical Investments Ltd., with interest payable @ 10%pa. At 30 June 2005 the balance repayable on this secured convertible loan was $951,516. The loan has recently been repaid in full, and the related debenture mortgage released.

Yours faithfully

Gordon McKern
Executive Chairman