ENVIROZEL LIMITED
A.C.N. 010 550 357 A.B.N 87 010 550 357

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8 September 2006

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

Dear Sir/Madam

ENVIROZEL LIMITED – PROFIT ANNOUNCEMENT

Appendix 4e - Preliminary Final Report

The Directors of Envirozel Limited (ASX: EVZ) are pleased to announce that the company has achieved an after tax profit in 2005-06 of $1.548 million, which is in excess of our previously advised forecast. This is the company's first profit in 17 years and is an important milestone for the company and its supportive shareholders.

The 2005 –06 financial year was an outstanding year of achievement and a watershed for Envirozel with the company in its strongest position on record. The company now has a sustainable profit platform; its operations are generating positive cash flows and it has a strong balance sheet. This position is underpinned by two profitable businesses each with solid growth prospects. Further, the Directors have put in place a strategy for growth building on this platform.

The highlights of the year were:

- Strong revenue and profit growth from Syfon Systems.
- The successful acquisition of the business of E. Brockman & Sons (now Brockman Engineering) and the winning of new contracts.
- Final commissioning commenced for the NuSource water recycling system at the Melbourne City Council headquarters.
- Significant capital raising including new cornerstone investors.
- Repayment of a loan from Australian Ethical Investments Limited, resulting in the release of debenture charge and the subsequent establishment of proper ongoing funding arrangements with one of Australia's big four banks.
- The sale of the group's investment in Zeolite Australia Pty. Ltd.

Syfon Systems

Syfon System's sales increased by 35% in 2005/06, with a significant lift in pre-tax profit. These results reflect strong construction markets in Australia and Malaysia and the company's ability to gain market share on the back of industry leading technology and a strong service culture and value proposition. Major projects undertaken or won during 2005-06 included Southern Cross Station, Rouse Hill Regional Centre, three Coles Myer projects, Eureka Tower, MCG, Adelaide Airport terminal and Sylvia Park Shopping Centre (New Zealand). Syfon finished the year with the value of orders in hand in excess of $6M, assuring us of a strong year ahead.

Brockman Engineering

The business of E Brockman & Son was acquired by Envirozel in April 2006. This long established and respected Geelong based heavy engineering business, has a blue chip client base including Shell, Alcoa, Terminals and Melbourne Water. For the three months under Envirozel's ownership, Brockman Engineering contributed $3.8 million to revenue. Brockman is the leading fabricator in the southern states of large and very large-scale storage tanks for use in the petroleum, chemicals and water industries. The immediate outlook for Brockman is positive and its order book is already full into the middle of 2007.

NuSource Water

Whilst concentrating on the completion of the M.C.C. project, which has recently been the subject of a considerable amount of favourable media coverage, the business has also continued to actively pursue further opportunities to use its state of the art technologies in water re-cycling and re-use.

Envirozel Limited

Envirozel has previously stated that the company will make further acquisitions to build both a critical mass and a solid platform for long term earnings growth, and will be seeking to build a base of specialist businesses that service solid, niche positions in the infrastructure water and construction industries. The company's acquisition criteria are:

- Well established, profitable companies with good management
- Minimum of five years profitability
- Transaction size up to $20 million
- Must have strong organic growth potential.

Since the end of June 2006, the company has raised an additional $2.5 million, most of which was used to repay the deferred consideration for Brockman Engineering, further strengthening the company's balance sheet. Leading specialist small cap fund manager, Paradice Investment Management was the major participant in this raising.

The past financial year can be best characterised as one of transformation and growth for Envirozel. With two solid businesses and a strategy in place to undertake further acquisitions, the company has built a strong growth platform.

Revenue in 2006-07 is expected to be around $30 million for the current two businesses, with Brockman contributing for the full year, and another growth year for Syfon. The company expects to report significant profit growth in the year ahead as well as increased turnover from further acquisitions.

Yours faithfully

Gordon McKern
Chairman

For further information, please contact:

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About Envirozel Limited

ASX listed Envirozel (EVZ) is an emerging industrial group with a portfolio of specialist businesses operating in the infrastructure, water and engineering industries. The company's operations currently include two successful businesses, Syfon Systems and Brockman Engineering. Both have strong positions in their respective markets with exceptional growth opportunities. The company's strategy is to grow by acquisition targeting strong, established and profitable businesses where generational change or succession issues have become a constraint on growth.

Appendix 4E

Preliminary final report
Year Ending on 30 June 2006

Envirozel Limited
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Results for announcement to the market

				$A
Revenue from ordinary activities	up	87%	to	13,849,635
Profit from ordinary activities after tax attributable to members	Up from a previous loss		to	1,534,949
Net Profit for the period attributable to members	Up from a previous loss		to	1,548,910
Amount per security and franked amount per security of final and interim dividends				Nil
Record date for determining entitlements to dividends				Not applicable

Brief explanation of any of the above figures necessary to enable the figures to be understood

Refer to attached letter from the Chairman

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INCOME STATEMENT

	Economic Entity 2006 $	Economic Entity 2005 $
Revenue	13,849,635	7,397,637
Other income	45,579	15,195
Expenses:		
Marketing expense	(190,170)	(286,508)
Cost of sales	(9,601,702)	(5,192,922)
Corporate and administration	(2,184,199)	(2,140,991)
Finance costs	(248,383)	(151,640)
Impairment costs	-	(100,000)
New business development costs	(230,146)	(604,520)
Corporate restructure	20,000	(60,000)
Profit/(loss) before income tax	1,460,614	(1,123,749)
Income tax expense	(74,335)	104,387
Profit/(loss) from continuing operations	1,534,949	(1,228,136)
Profit/(Loss) from discontinued operations	13,961	(507,853)
Profit/(loss) for the year	1,548,910	(1,735,989)
Profit attributable to minority interest	-	-
Profit/(loss) attributable to members of the parent entity	**1,548,910**	**(1,735,989)**

	Cents	Cents
Basic earnings per share	1.36	(2.8)
Diluted earnings per share	1.35	(2.8)

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BALANCE SHEET

	Economic Entity 2006 $	Economic Entity 2005 $
CURRENT ASSETS		
Cash and cash equivalents	1,728,400	283,968
Trade and other receivables	4,744,532	2,173,534
Inventories	1,121,119	162,603
TOTAL CURRENT ASSETS	7,594,051	2,620,105
NON-CURRENT ASSETS		
Trade and other receivables	425,337	175,978
Financial Assets	25,000	245,000
Property, Plant and Equipment	2,093,057	285,402
Deferred Tax Assets	312,637	41,792
Intangibles	3,956,761	3,282,532
TOTAL NON-CURRENT ASSETS	6,812,792	4,030,704
TOTAL ASSETS	14,406,843	6,650,809
CURRENT LIABILITIES		
Trade and other payables	3,195,541	2,796,551
Current tax liabilities	4,361	-
Short-term borrowings	2,018,951	243,374
TOTAL CURRENT LIABILITIES	5,218,853	3,039,925
NON-CURRENT LIABILITIES		
Long-term borrowings	2,101,518	990,979
Deferred Tax Assets	4,098	3,273
Provisions	22,910	23,664
TOTAL NON-CURRENT LIABILITIES	2,128,526	1,017,916
TOTAL LIABILITIES	7,347,379	4,057,841
NET ASSETS	7,059,464	2,592,968
EQUITY		
Issued Capital	24,279,368	21,380,498
Reserves	222,943	204,227
Accumulated losses	(17,442,847)	(18,991,757)
TOTAL EQUITY	7,059,464	2,592,968

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STATEMENT OF CHANGES IN EQUITY

ECONOMIC ENTITY

	$	$	$	$
	Share Capital			
	Ordinary	**Retained Profits**	**Reserves**	**Total**
Balance at 1July 2004	20,011,619	(17,255,768)	213,676	2,969,527
Profit/(loss) attributable to members of parent entity	-	(1,735,989)	-	(1,735,989)
Shares issued during the year	1,368,879	-	-	1,368,879
Exchange Rate Reserve	-	-	(9,449)	(9,449)
Sub-total	21,380,498	(18,991,757)	204,227	2,592,968
Dividends paid or provided for	-	-	-	-
Balance at 30 June 2005	21,380,498	(18,991,757)	204,227	2,592,968
Balance at 1 July 2005	21,380,498	(18,991,757)	204,227	2,592,968
Shares issued during the year	2,898,870	-	-	2,898,870
Profit attributable to members of parent entity	-	1,548,910	-	1,548,910
Exchange Rate Reserve	-	-	18,716	18,716
Sub-total	24,279,368	(17,442,847)	222,943	7,059,464
Dividends paid or provided for	-	-	-	-
Balance at 30 June 2006	**24,279,368**	**(17,442,847)**	**222,943**	**7,059,464**

STATEMENT OF CASH FLOWS

	Economic Entity 2006 $	Economic Entity 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	14,216,791	8,092,367
Payments to Suppliers & Employees (inclusive of GST)	(13,765,229)	(9,238,161)
Income tax paid	(15,111)	(18,372)
Interest received	36,920	13,133
Finance costs	(248,383)	(151,640)
NET CASH FLOWS USED BY OPERATING ACTIVITIES	224,988	(1,302,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments / Acquisition of controlled entities	(1,738,821)	(100,000)
Proceeds disposal of operations	-	52,012
Loans to controlled entities	-	-
Proceeds from sale of land	38,652	-
Proceeds from sale of plant and equipment	81,688	5,455
Purchase of plant and equipment	(186,172)	(121,046)
NET CASH FLOWS USED BY INVESTING ACTIVITIES	(1,804,653)	(163,579)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Shares Issued	2,548,870	1,368,879
Convertible Loan Repaid	(801,516)	(16,484)
Proceeds Other Loans	2,050,000	150,000
Repayment of Other Loans	(660,889)	(13,294)
Proceeds from Lease Financing	-	20,700
Payments for Lease Financing	(112,368)	(88,184)
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	3,024,097	1,421,617
NET INCREASE/(DECREASE) IN CASH HELD	1,444,432	(44,635)
Net Cash Balance Acquired		-
Add Opening Cash Brought Forward	283,968	328,603
CLOSING CASH BALANCE	1,728,400	283,968

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation
First-time Adoption of Australian Equivalents to International Financial Reporting Standards
Envirozel Limited and controlled entities have prepared financial statements in accordance with the Australian Equivalents to International Financial Reporting Standards (IFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian equivalents to International Financial Reporting Standards, adjustments to the consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Envirozel Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in this report.

Reporting Basis and Conventions
The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Envirozel Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Envirozel Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Envirozel Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 7 June 2004. The tax consolidated group has entered a tax sharing arrangement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) **Construction Contracts and Work in Progress**

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

(e) **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	10 to 30%
Plant and equipment	10 to 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) **Intangibles**

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(j) **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of two months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(o) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(p) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) **Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2006.

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FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 1 July 2004 - ECONOMIC ENTITY

	Previous GAAP at 1 July 2004 $	Adjustments on introduction of Australian equivalents to IFRS $	Australian equivalents to IFRS at 1 July 2004 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	328,603	-	328,603
Trade and other receivables	1,799,650	-	1,799,650
Inventories	539,391	-	539,391
Other financial assets	3,000	-	3,000
TOTAL CURRENT ASSETS	2,670,644	-	2,670,644
NON-CURRENT ASSETS			
Receivables	195,776	-	195,776
Other financial assets	100,000	-	100,000
Property, plant and equipment	1,027,384	-	1,027,384
Deferred tax assets	41,792	-	41,792
Intangible assets	3,182,532	-	3,182,532
Other non-current assets	30,000	-	30,000
TOTAL NON-CURRENT ASSETS	4,577,484	-	4,577,484
TOTAL ASSETS	7,248,128	-	7,248,128
CURRENT LIABILITIES			
Trade and other payables	2,393,820	-	2,393,820
Short-term borrowings	1,507,274	-	1,507,274
Short-term provisions	223,810	-	223,810
TOTAL CURRENT LIABILITIES	4,124,904	-	4,124,904
NON-CURRENT LIABILITIES			
Long-term borrowings	117,665	-	117,665
Long-term provisions	36,032	-	36,032
TOTAL NON-CURRENT LIABILITIES	153,697	-	153,697
TOTAL LIABILITIES	4,278,601	-	4,278,601
NET ASSETS	2,969,527	-	2,969,527
EQUITY			
Issued capital	20,011,619	-	20,011,619
Reserves	213,676	-	213,676
Retained earnings	(17,255,768)	-	(17,255,768)
Parent interest	2,969,527	-	2,969,527
Minority equity interest	-	-	-
TOTAL EQUITY	2,969,527	-	2,969,527

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FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Reconciliation of Equity at 30 June 2005 - ECONOMIC ENTITY

		Previous GAAP at 30 June 2005 $	Adjustments on introduction of Australian equivalents to IFRS $	Australian equivalents to IFRS at 30 June 2005 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		283,968	-	283,968
Trade and other receivables		2,173,534	-	2,173,534
Inventories		162,603	-	162,603
TOTAL CURRENT ASSETS		2,620,105	-	2,620,105
NON-CURRENT ASSETS				
Receivables		175,978	-	175,978
Other financial assets		220,000	-	220,000
Property, plant and equipment		285,402	-	285,402
Deferred tax assets		41,792	-	41,792
Intangible assets	(a)	3,118,405	164,127	3,282,532
Other non-current assets		25,000	-	25,000
TOTAL NON-CURRENT ASSETS		3,866,577	164,127	4,030,704
TOTAL ASSETS		6,486,682	164,127	6,650,809
CURRENT LIABILITIES				
Trade and other payables		2,257,611	-	2,257,611
Short-term borrowings		604,263	-	604,263
Short-term provisions		178,051	-	178,051
TOTAL CURRENT LIABILITIES		3,039,925	-	3,039,925
NON-CURRENT LIABILITIES				
Long-term borrowings		990,979	-	990,979
Long-term provisions		26,937	-	26,937
TOTAL NON-CURRENT LIABILITIES		1,017,916	-	1,017,916
TOTAL LIABILITIES		4,057,841	-	4,057,841
NET ASSETS		2,428,841	164,127	2,592,968
EQUITY				
Issued capital		21,380,498	-	21,380,498
Reserves		204,227	-	204,227
Retained earnings	(a)	(19,155,884)	164,127	(18,991,757)
Parent interest		2,428,841	164,127	2,592,968
Minority equity interest		-	-	-
TOTAL EQUITY		2,428,841	164,127	2,592,968

FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Reconciliation of Profit or Loss for the year ended 30 June 2005
ECONOMIC ENTITY

		Previous GAAP	Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
		$	$	$
Revenue		7,397,637	-	7,397,637
Other Income		15,195	-	15,195
Expenses				
Marketing expenses		(286,508)	-	(286,508)
Cost of sales		(5,192,922)	-	(5,192,922)
Corporate and administration	(a)	(2,305,118)	164,127	(2,140,991)
Finance costs		(151,640)	-	(151,640)
Impairment costs		(100,000)	-	(100,000)
New business development costs		(604,520)	-	(604,520)
Corporate restructure		(60,000)	-	(60,000)
Loss before income tax		(1,287,876)	164,127	(1,123,749)
Income tax expense		104,387	-	104,387
Loss from continuing activities		(1,392,263)	164,127	(1,228,136)
Loss from discontinued operations		(507,853)	-	(507,853)
Loss for the year		(1,900,116)	164,127	(1,735,989)
Loss attributable to minority equity interest		-	-	-
Loss attributable to members of the parent entity		**(1,900,116)**	**164,127**	**(1,735,989)**

(a). Notes to the Reconciliations of Equity and Profit and Loss at 1July 2004 and 30 June 2005

Under AASB 3, goodwill is no longer amortised but subject to annual impairment testing. All goodwill amortised under previous GAAP has been reversed. Goodwill amounting to $Nil has been reversed to retained earnings at 1 July 2004. Goodwill amounting to $164,127 previously amortised in the 2005 full financial year has been reversed in the income statement for the year ended 30 June 2005.

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Preliminary final report
Year Ending on 30 June 2006

Envirozel Limited
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	PROFIT/(LOSS)	Economic Entity 2006 $	Economic Entity 2005 $
(a)	**REVENUE**		
	Sales	13,742,209	7,384,504
	Interest Received or Receivable	36,920	13,133
	Sundry Income	70,506	-
		13,849,635	7,397,637
(b)	**OTHER INCOME**		
	Gain on disposal of property, plant and equipment	45,579	5,455
	Gain on sale of Investments	-	9,740
		45,579	15,195
(c)	**PROFIT/(LOSS) FOR THE YEAR**		
	Expenses:		
	Provision for Impairment of Receivables	(10,179)	2,822
	Movement in Employee Benefits	147,860	(6,612)
	Bad Debts	29,168	6,565
	Operating Lease Payments	168,875	50,885
	Finance Costs	248,383	151,640
	Depreciation of Plant & Equipment	110,677	244,056
(d)	**SIGNIFICANT ITEMS**		
	Loss on sale of operations	-	507,853
	Impairment costs	-	100,000

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Preliminary final report
Year Ending on 30 June 2006

Envirozel Limited
ACN: 010 550 357

	Economic Entity 2006 $	Economic Entity 2005 $
ISSUED CAPITAL		
Issued and Paid Up		
ordinary shares138,349,626 (2005: 84,249,550 ordinary shares)	24,279,368	21,380,498
	24,279,368	21,380,498

(a) Issued and Paid Up	Economic Entity 2006 $
At the beginning of reporting period	21,380,498
Shares Issued During the year	
2 November 2005	544,962
29 November 2005	711,625
6 December 2005	822,500
9 December 2005	32,083
19 December 2005	100,000
21 December 2005	200,000
18 January 2006	37,500
28 February 2006	150,000
15 May 2006	300,200
At reporting date	24,279,368

	Economic Entity 2006 No.
At the beginning of reporting period	84,249,550
Shares Issued During the year	
2 November 2005	10,899,242
29 November 2005	14,232,500
6 December 2005	16,450,000
9 December 2005	641,667
19 December 2005	2,000,000
21 December 2005	4,000,000
18 January 2006	375,000
28 February 2006	3,000,000
15 May 2006	2,501,667
At reporting date	138,349,626

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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Preliminary final report
Year Ending on 30 June 2006

Envirozel Limited
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	Economic Entity 2006 $	Economic Entity 2005 $
ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(18,991,757)	(17,255,768)
Net Profit/(Loss) after Income tax	1,548,910	(1,735,989)
Accumulated losses at the end of the financial year	(17,442,847)	(18,991,757)

	Economic Entity 2006 $	Economic Entity 2005 $
EARNINGS PER SHARE		
(a) Basic profits/(losses) per share (cents per share)	1.36	(2.8)
Weighted average number of ordinary shares outstanding during the year used in calculation of Basic Earnings Per Share	114,147,086	68,676,107
(b) Diluted profit/(losses) per share (cents per share)	1.35	(2.8)
Weighted average number of ordinary shares outstanding during the year used in calculation of Diluted Earnings Per Share	115,647,086	68,676,107

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SEGMENT REPORTING

Business Segments	Roof Drainage 2006 $	Roof Drainage 2005 $	Tank Construction 2006 $	Water Treatment 2006 $	Water Treatment 2005 $	Zeolite Operations 2005 $	Corporate 2006 $	Corporate 2005 $	Eliminations 2006 $	Eliminations 2005 $	Consolidated 2006 $	Consolidated 2005 $
REVENUE												
Revenue - external	9,342,533	6,850,545	3,849,601	631,234	107,438	430,319	26,267	9,335	-	-	13,849,635	7,397,637
- internal	-	-	-	-	-	-	-	-	-	-		-
Total revenue	9,342,533	6,850,545	3,849,601	631,234	107,438	430,319	26,267	9,335	-	-	13,849,635	7,397,637
Depreciation and Amortisation	72,593	64,193	34,294	-	112,475	63,742	3,790	3,646	-	-	110,677	244,056
RESULT												
Segment Result	2,269,305	800,652	124,841	(230,146)	(790,607)	(877,842)	-	-	-	-	2,164,000	(867,797)
Unallocated Corporate Expenses											(689,425)	(763,805)
Profit from ordinary activities											1,474,575	(1,631,602)
Income Tax Expenses											(74,335)	104,387
Net Profit											1,548,910	(1,735,989)
ASSETS												
Segment Assets	5,453,321	4,560,628	5,685,487	55,537	12,429	-	9,457,042	4,080,755	(6,244,544)	(2,003,003)	14,406,843	6,650,809
LIABILITIES												
Segment Liabilities	2,369,179	3,005,059	5,598,098	725,638	427,384	-	4,299,364	1,843,989	(5,644,900)	(1,218,591)	7,347,379	4,057,841
ACQUISITION OF NON CURRENT ASSETS	151,676	119,911	31,481	-	-	1,135	4,141,836	320,000	(4,138,821)	-	186,172	441,046

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Year Ending on 30 June 2006

Envirozel Limited
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SEGMENT REPORTING (Continued)

Geographical Segment	**Australia 2006 $**	**Australia 2005 $**	**Malaysia 2006 $**	**Malaysia 2005 $**	**Economic Entity 2006 $**	**Economic Entity 2005 $**
External Segment Revenue	12,610,801	6,328,860	1,238,834	1,068,777	13,849,635	7,397,637
Segment assets by location of assets	13,545,465	5,637,248	861,378	1,013,561	14,406,843	6,650,809
Acquisition of non current assets	146,584	414,990	39,588	26,056	186,172	441,046

SUBSEQUENT EVENTS

Subsequent to balance date the Company announced that it has raised $2.5 million via the issue of 17,875,500 shares at 14 cents each, in a placement managed by Southern Cross Equities. Of the funds raised, $2.1 million will be allocated to pay the deferred consideration for the recent acquisition of the E.Brockman & Son Pty. Ltd business. The balance will be used for working capital purposes.

Other than the matters noted above there have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years after the financial year.

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Year Ending on 30 June 2006

Envirozel Limited
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		Economic Entity 2006 $	Economic Entity 2005 $
	STATEMENT OF CASH FLOWS		
(i)	**Cash balances comprise:**		
	Cash on Hand	1,728,400	283,968
	Closing Cash Balance	1,728,400	283,968
(ii)	**Reconciliation of the Operating Profit/(Loss) after Tax to Net Cash flows from Operations:**		
	Operating profit/(loss) after Tax	1,548,910	(1,735,989)
	Provision for impairment of receivables	(10,179)	2,822
	Gain on sale of property, plant and equipment	(45,579)	(5,455)
	Provision for impairment	-	100,000
	Loss on sale of operations	-	507,853
	Depreciation		
	- plant and equipment	110,677	244,056
	Changes in assets and liabilities adjusted for effects of acquisition/disposal of operations during financial year		
	Increase / (Decrease) in provisions for employee entitlements	147,860	(6,612)
	(Increase) / Decrease in inventories	(165,133)	(58,344)
	(Increase) / Decrease in trade receivables	(380,742)	63,550
	(Increase) / Decrease in other debtors and prepayments	189,451	(130,868)
	(Increase) / Decrease in receivables from controlled entities	-	-
	(Increase) / (Decrease) in retention debtors	(278,264)	(284,590)
	(Increase) / Decrease in deferred tax assets	(76,297)	-
	(Increase) / Decrease in financial assets	-	3,000
	Increase / (Decrease) in payables	(836,432)	1,181
	Increase / (Decrease) in current tax payable	4,361	-
	Increase / (Decrease) in deferred tax liabilities	825	2,337
	Exchange rate reserve	15,530	(5,614)
	Net Cash Inflow/(Outflow) from Operating Activities	224,988	(1,302,673)

Appendix 4E

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Year Ending on 30 June 2006

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Additional Information:

	30 June 2006	30 June 2005
Net tangible assets per ordinary share	2.24cents	(0.8)cents

Details of entities over which control has been gained or lost during the period

Name of entity	Brockman Engineering Pty Ltd
Control gained/lost	Gained
Date of gain/loss of control	1 April 2006
Where material,	
▪ contribution of entity to the reporting entity's profit from ordinary activities before tax during the period	$124,841
▪ profit/(loss) of entity during the whole of the previous corresponding period	Not applicable

Dividends and Distributions	Not applicable
Date on which each dividend or distribution is payable	
Amount per security of foreign sourced dividend or distribution	
Details of dividend or distribution reinvestment plans	Not applicable

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Material interests in entities which are not controlled entities

Name of entity	**Percentage of ownership interest held at end of period or date of disposal**		**Contribution to net profit (loss)**	
Equity accounted associates and joint venture entities	**Current period**	**Previous corresponding period**	**Current period $A**	**Previous corresponding period - $A**
Total				
Other material interests Waste Technologies of Australia Pty Ltd	5%	5%	Nil	Nil
Total				

Compliance Statement:

The accounts are in the process of being audited.