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The Manager
Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
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Dear Sir / Madam

ENVIROZEL ANNOUNCES 4TH STRATEGIC ACQUISITION, ITS FIRST IN NEW SOUTH WALES

Envirozel Limited (ASX: EVZ) is pleased to announce the proposed acquisition of the business of National Engineering Pty Ltd, a steel fabrication company based in Young, New South Wales. Subject to satisfactory due diligence and finalisation of contracts, the acquisition is expected to be completed effective 1 June 2007.

National Engineering will be Envirozel's fourth acquisition since 2004 and continues the Company's previously articulated strategy of acquiring established, profitable companies that service the infrastructure, construction and water based industries. It is also the Company's first strategic move into N.S.W.

The Company's acquisition criteria are:

- Well established, profitable companies with good management
- Minimum of five years profitability
- Transaction size up to \$25 million
- Must have strong organic growth potential.

Executive Chairman, Mr Gordon McKern said:

"Envirozel has continued to make acquisitions to build both a critical mass and a solid platform for long term earnings growth. In achieving this, Envirozel has sought to build a base of specialist businesses that service solid, niche positions in the infrastructure, water and construction industries."

The proposed acquisition of the business of National Engineering follows on from the successful acquisition of the Danum Engineering business which was completed in January 2007. The National Engineering acquisition will increase the Envirozel Group's annualised turnover to in excess of \$70 million. In addition, the company anticipates significant organic growth will occur in all the operating businesses in the coming years.

Acquisition of the business of National Engineering Pty Ltd

National Engineering was originally founded in 1890 as a blacksmith and coachbuilder. The Company changed its business in the 1950's into major steel construction works. Steel fabrication has been the cornerstone of the business since that time, particularly focussing on large and very large construction projects.

From its base in Young, New South Wales the Company has completed projects over a wide area of Australia. The workforce is currently 75 skilled employees and the Company has an annual turnover exceeding \$15 million.

The Company was prominent in the construction of various Sydney Olympic facilities, including the Main Stadium, light towers for the Olympic Boulevard, the Velodrome roof structure, the Aquatic Centre extensions and Pier "C" at the Sydney International Airport.

Mr McKern also said,

"National Engineering is highly regarded and respected in the industry. Its core business is the detailing, fabrication, and erection of structural steelwork, for commercial, industrial and retail projects including stadiums, car parking stations, bridges, multi-storey buildings, the resource sector and mining."

"There are many potential synergies that exist between all the companies within the Envirozel Group. In particular the geographic location of National Engineering provides good access to industry in Sydney, Canberra and Brisbane."

Details of the Acquisition

The purchase price for the National Engineering business will be up to a maximum of \$4.95 million and will be satisfied through a combination of cash and shares.

Mr McKern further stated,

"The acquisition of National Engineering is expected to be earnings per share accretive for Envirozel, and the Group anticipates maintaining comfortable debt serviceability ratios."

"The National Engineering acquisition will have minimal impact on the performance of Envirozel for the current financial year. However, the outlook for 2006-07 is very positive, with the group able to benefit from the full year ownership of Brockman Engineering, a continuing excellent performance by Syfon Systems and a strong performance for six months from Danum Engineering."

Envirozel Limited expects to provide the market with more formal earnings guidance on the successful completion of the National Engineering transaction.

Yours faithfully

Ian Wallace
Company Secretary

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About Envirozel Limited

Envirozel is an emerging industrial group with a portfolio of specialist businesses operating in the infrastructure, water and engineering industries. The company's operations currently encompass three successful businesses, Syfon Systems, Brockman Engineering and Danum Engineering. These businesses 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.

For further information, please visit: www.envirozel.com.au

About National Engineering Pty Ltd

N.S.W. Young based, National Engineering details, fabricates and erects structural steelwork, for commercial, industrial and retail projects including stadiums, car parking stations, bridges, multi-storey buildings, the resource sector and mining. The company has 75 employees and annual turnover exceeding \$15 million.