

 **TechStar Limited**  
ABN 49 069 206 986  
Level 2, 3350 Pacific Highway  
Springwood QLD 4127  
07 3350 2100  
07 3290 3440

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12 May 2006

**Ms Frances Ng**  
**Advisers, Issuers (Brisbane)**  
**Australian Stock Exchange**  
**Level 6, Riverside Centre**  
**123 Eagle Street**  
**Brisbane, Qld, 4001**

Dear Frances,

Further to our recent conversation, and in response to your letter regarding the TechStar Limited Appendix 4C return for period ending 31 March 2006, we are pleased to respond.

We had not included any commentary for this quarter, as we had provided in previous 4C's, as we have not had any significant changes or events affecting the business specifically during the quarter, and therefore no commentary was required.

In response to the points raised in your letter, TechStar provides the following information. The numbers refer to your query points.

- 1) There are other factors to be taken into consideration for the operating cash flows for this quarterly report. The cash rate expenditure for the quarter included some "once only" payments which arose following the Company's major acquisition of the Ipoh Group of companies which was completed on 15<sup>th</sup> December 2005. The operating cash flow will not continue at the same level for the following quarters.

Ongoing financial support has always been provided from the Board of Directors and associated parties for TechStar, and has been noted in all previous 4C returns. This support continues with a funding facility being provided during the June quarter by a director/shareholder.

- 2) The company does not expect a continuation of negative cashflows at the same level reported in the 4C, as noted in 1 above. Additional capital raising arrangements are being finalised as noted in 1, with TechStar Limited having continuing financial support from the Board of Directors and associated parties.
- 3) The quarterly report was in line with the companies expectations for this quarter. This was anticipated as we completed the amalgamation of the recently acquired technology companies, Ipoh Pacific Ltd and Exnox Technologies, into TechStar Limited.
- 4) The reported revenues and expenses were in line with the company's anticipated revenues and expenditures for this period while the amalgamation of the two new entities with their six new environmental technology projects into TechStar Limited was completed. The existing projects continue through the commercialisation phase.



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- 5) The company continues to meet TechStar's business objectives as set out in the 31 December 2005 Half Yearly Report. The company's business objectives and strategies have not changed since the release of the Half Yearly Report, with the amalgamation of the two new entities completed. TechStar expects the completion of capital raising negotiations, and other commercial negotiations, will meet several key objectives. Negotiations are continuing on these matters, and when agreements are imminent TechStar will meet with ASX to discuss the requirements for completion, as there will be a requirement for an EGM.
- 6) TechStar Limited is in compliance with listing rules, and in particular listing rule 3.1. No negotiations or matters which would have a material effect on the share price of the Company have been concluded. As noted in 5, it is the intention of the Company to meet with ASX once agreements currently being negotiated are close to finality.
- 7) The company is compliant with listing rule 12.2. In particular, the net asset position is positive and this will be enhanced with the elimination in the June quarter of most of the liabilities which were taken up as part of the Ipoh acquisition. Additionally, commercial matters currently under negotiation will provide further strength to the balance sheet.

I trust this answers your queries and would be pleased to expand on any matters if you so require.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brian Jones', written over a horizontal line.

Brian Jones  
Director

**ASX**

AUSTRALIAN STOCK EXCHANGE

8 May 2006

Mr Brian Jones  
Company Secretary  
TechStar Limited  
Level 2, 3350 Pacific Highway  
SPRINGWOOD QLD 4127

Australian Stock Exchange Limited  
ABN 98 008 624 691  
Level 6  
Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

PO Box 7055  
Riverside Centre  
Brisbane QLD 4001

Telephone 61 (07) 3835 4000  
Facsimile 61 (07) 3835 4114  
Internet <http://www.asx.com.au>

By email: [bjones@businessmanagement.com.au](mailto:bjones@businessmanagement.com.au)

Dear Mr Jones

#### TechStar Limited (the "Company") – Appendix 4C

I refer to the Company's Appendix 4C for the period ending 31 March 2006 ("Appendix 4C") released to the Australian Stock Exchange Limited ("ASX") on 28 April 2006.

ASX notes that the Company has reported the following.

1. Nil receipts from customers.
2. Net negative operating cash flows for the quarter of \$340,900.
3. Cash at end of quarter of \$109,800.
4. The Company has fully drawn down its loan facilities and does not appear to have access to further facilities.

In light of the information contained in the Appendix 4C please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than one quarter. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C and if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?

4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.
5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives as set out in its half yearly report for the period ending 31 December 2005 ("Half Yearly Report")? The Company's business objectives and strategies may have changed since the date of the Half Yearly Report. If so, this should be taken into account in your response.
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
7. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

#### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me via email at [frances.ng@asx.com.au](mailto:frances.ng@asx.com.au) or by facsimile number (07) 3832 4114. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 3.00 p.m. (E.S.T) on Friday, 12 May 2006.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries in relation to the above, please let me know.

Yours sincerely,



Frances Ng  
**Adviser, Issuers (Brisbane)**