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

Letter to Shareholders from the Chairman.

Please find attached a letter sent to all shareholders from the Chairman on 18th March 2004.

David Hunt

Chief Executive Officer

For further information, please contact:
David Hunt, TechStar Limited Tel: (07) 3380 2100 or 0414 337 273
Joanne Pafumi, Rowland Communication Group Tel: (07) 3229 4499 or 0411 759 683

18th March 2004

Dear shareholder,

There have been some exciting new developments for TechStar Limited and I am writing to you today to update you on these developments and what they will mean for your company.

You may be aware that trading in our stock was suspended last week after a sharp rise in the share price. It resumed on Monday this week after your Board confirmed that we are to acquire Augen Technologies, a business developing innovative vision prosthesis "bionic eye" technology. We are also in active negotiations to divest two of our existing products.

These developments are part of our continued plan to take Australian technology to the world, supporting our long-held strategy of divestment and reinvestment.

As part of the acquisition, a capital raising of about $12 million will be required. At this stage the details of the fundraising are yet to be finalised. A prospectus providing more detailed information will be sent to you in coming weeks and an Extraordinary General Meeting will be held to consider the acquisition.

Augen Technologies, and its patent-protected "bionic eye" technology, offers significant potential to our company. It is an Australian-developed product with worldwide market demand and is at the leading edge of bioscience with several years of development and testing already completed.

The "bionic eye" device, in its early stage of development, has the potential to help the blind see some images, light and shade, structure and shapes. It is considered particularly beneficial for people who have lost their sight through degenerative and age-related eye disease.

It comprises an electronic circuit implanted into the eye which delivers controlled, electronic stimulation to surviving nerve cells of the retina to restore some of the physiological events that take place on a normal, functional retina.

TechStar has entered into a conditional Heads of Agreement to acquire 100% of Augen Technologies from the inventor and originator of the research, Dr Gregg Suaning of the University of Newcastle, and co-inventor Associate Professor Nigel Lovell of the University of New South Wales. Both men are accomplished biomedical engineers with several years experience in the field of nerve stimulation.

Under the terms of the agreement with Augen, TechStar will acquire the company's intellectual property; fund further research and development; and provide administration support to the company. The co-inventors, who will remain on the Augen board, will receive $8 million of TechStar stock to be issued at 25 cents and held in escrow for 12 months, as consideration for the transaction. A representative of the Augen Technologies Board will sit on your company's Board.

TechStar Limited ABN 49 089 206 986
Level 2, Colonial State Bank Building,
3350 Pacific Highway
Springwood QLD 4127, AUSTRALIA

Telephone + 61 7 3380 2100
Facsimile + 61 7 3290 3440
Email: info@techstarlimited.com
Website: www.techstarlimited.com

Development of the "bionic eye" concept began in 1997. Following five years of research and development, initial animal trials have been successfully conducted. The next stage of the research and development is to progress to a second stage of animal testing, and product completion, which will take about three to four years.

A recent report from the international Vision 2020 initiative led by the World Health Organisation identified 45 million blind people globally and supports the worldwide market potential for the "bionic eye". The report estimated that seven million people go blind every year, meaning there is potential to generate significant revenue with only a minor position in this market.

The two products TechStar is in active negotiations to divest are Medteq Innovations Pty Ltd's 'CPR Ezy', and the Ironbar Pty Ltd 'Reomate'.

CPR Ezy is a chest compression device with a general-use resuscitation mask and is used to provide correct CPR rhythm and compression on patients during a cardiac arrest. The Reomate is a battery-operated power tool that delivers a unique wire clip to tie reinforcing concrete formwork, overcoming the need for construction workers to manually tie reinforcing steel.

A UK company is currently conducting due diligence on the CPR Ezy product, while an expression of interest in the Reomate has been received from a US based international power tool company.

We hope both processes will result in sales this financial year. Ideally, we would like to retain a royalty on the individual products after sale as well as gaining a worthwhile selling price for them.

Your company is also in the process of reviewing a number of new Australian technology developments and we expect to make further acquisitions in the next six months.

It is also my pleasure to inform you that our Sportzwhistle product recently received a commendation in the Australian Invention of the Year process. The SportzWiz is an electronic version of the standard metal or plastic whistle that is more hygienic and easier to use than traditional whistles as it requires no mouth contact. Through our international distributor J. Hudson & Co. (ACME Whistle), we are aiming this product at sporting and security organisations.

These positive developments set your company on the path to a brighter future. The Augen acquisition means we are armed with a product that has significant market potential, while the product divestments will provide us with renewed funding and fresh opportunities.

We look forward to reporting the results of these developments to you.

Yours sincerely,

John Reid AO
Chairman