



HSM DISTRIBUTORS AUSTRALIA Pty Ltd

PO BOX 326 LILYDALE VIC 3140

Ph: 03 9735 9457 Fax: 03 9735 9178

Email: info@hsm.net.au

14 November 2006

Mr Ian Cornelius,
Managing Director
Fuelstar
PO Box 282
RUNAWAY BAY QLD 4216

Dear Mr Cornelius

You have asked me to comment on my involvement with the Fuelstar product, my experience with its effectiveness and, in particular, to comment on the installations to the RACV vehicles.

Insofar as the product is concerned, I have sold more than 4,500 units in the last ten years and, as proprietor of my own motor repair garage, have been involved with the installation of more than 2,500 of these units. The remainder has been supplied to the end users through other workshops with which I have been affiliated. If the product did not meet the claims made for it, I certainly would have been the first to hear about it. Put another way, I have thousands of satisfied customers all of whom would be happy to testify to the effectiveness of the Fuelstar product.

The improvement in engine performance was and is, in all cases, readily noticeable by the driver. It takes an extremely inexperienced or inept driver to not notice the difference. In some cases (no more than 5%), there is no improvement in the performance of the engine after installing the Fuelstar. This is invariably caused by (a) the product not being correctly installed (it requires movement and vibration to function properly) or (b) the engine having some defect or mal-tuning problem.

Some four to five years ago I was approached by several RACV contractors to instal the Fuelstar product to overcome valve seat recession (VSR) problems they were experiencing in their dual fuel (petrol and LPG) Holden Rodeos. The tappet clearances required regular adjustment, to counter the advent of VSR which was causing the closing of the tappet clearances.

For this work I enlisted the assistance of Dennis Clarke, then owner of Eastern Auto Gas Conversions in Nunawading. Mr Clarke is well known in the auto industry for his many years of service in the administration of the LPGA. We then installed Fuelstar canisters to several of the RACV vehicles which were experiencing the VSR. They were fitted on the high pressure liquid gas side of the converter, as is normal with such installations. Dennis then ran the vehicles on the dyno and measured the exhaust emissions to find a noticeable reduction of HC's, CO's and NOx.

The vehicles concerned were monitored for several weeks. From the time of installation of the Fuelstars, there was no further need to open the tappet clearances, proving conclusively that the product had overcome the incidence of valve seat recession. This confirmed the findings of the earlier work done by engineering consultant Noel Murray, then Vice President of the Institute of Automotive Mechanical Engineers. It is also consistent with the results elsewhere from hundreds of similar cases.

Further units were installed on diesel vehicles owned by RACV contractors to reduce fuel consumption. Again, the product was successful in reducing the fuel consumption by 10 to 15%, as has been confirmed in thousands of other cases in Australia and elsewhere.

As you know, I have been involved more recently in the sale of Fuelstar units for installation in new motorcycles. This follows extensive testing of the product by the manufacturer, proving the effectiveness of the product. I have also been involved with the trialling of the product in a fleet of trucks where the trial was overseen by a University. Again, the product worked as claimed, which fact has been confirmed by the University.

I am aware of the failed test done on the Fuelstar product several years ago by Dr Watson of the University of Melbourne at the instruction of the New Zealand Automobile Association (NZAA). After the test I spoke with Dr Watson who told me that

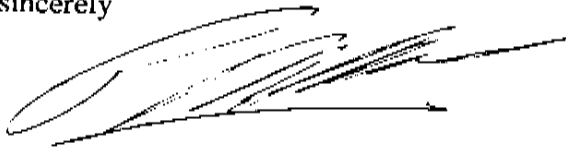
1. the unit was not bolted to the engine as is required by the installation instructions, but rather was placed on the floor in a static position, with longer than normal fuel lines being connected from the Fuelstar to the engine,
2. the installation instructions had not been supplied to him by the NZAA,
3. the engine had been run at full load and wide open throttle (thus circumventing the installation instructions which call for a running-in period), and
4. the test had been paid for by BP Australia.

I have read AS4430.2 and can confirm that it is inappropriate for the proper testing of the Fuelstar product. The reason for this is primarily because to function correctly the Fuelstar unit must be subjected to movement and vibration. There is no known way of replicating this in an artificial test laboratory.

I further confirm that I am a certified mechanical engineer with more than 30 years' experience.

I am a 23 year member of the RACV (number 441318) and think highly of that Association. I look forward to the day when the product is endorsed by them. It is already endorsed by the VACC and is sold in many VACC authorized outlets.

Yours sincerely



Peter Matthews
MIAME, MAAAA