



18th May 2009

Emma Badhni
ASX

By Email: emma.badhni@asx.com.au

Dear Ms Badhni,

Powerlan Limited (“Company”)

I refer to your letter dated 13th May 2009 to which I reply as follows, adopting your paragraph numbers. In doing so, I am of course providing information that is relevant to the Powerlan Group of Companies (“Group”), which comprises the Company and its subsidiaries.

1. As previously advised in my letter to you dated 12th November 2008, the nature of the Group’s businesses, with more than 95% of its revenue being generated overseas, and much of it coming from foreign telecommunications companies, some of which are under foreign government control, has often resulted in delays in receipts. The expenses of the business are relatively fixed and predictable as half of the Group’s expenses are personnel costs. At 31st March 2009 the Group had approximately \$9.5 million of receivables and in excess of \$25 million of contracted revenues that are due to be invoiced between now and end December 2009.

Although we continue to make progress on the previously advised strategy of moving the underlying businesses to profitability this year, after two years of significant investment in product redevelopment and the building of world class sales and marketing organisations, the effects of the global economic crisis are delaying the achievement of this objective.

To support the Group until we achieve profitability and on the occasions when receipts from customers are delayed, the Group’s Chairman has recently provided me, the Board and the auditors (as part of their half year review for the six months ended 31st December 2008) with written confirmation that he will advance monies to the Group to support it during periods when cash flow does not meet expectations. Therefore the Board and I are confident that the Group will have ample funds to support the Group’s activities for a period far in excess of 2 quarters.

2. As also advised in my letter of 12th November 2008, unfortunately, owing to the nature of the Group’s businesses, it is difficult to project cash flows. The Group can only rely on the terms of signed contracts and trust that milestones will be achieved and that resultant milestone payments will be met and, on that basis, make realistic assessments of future cash flow and also make reasonable assessments of the likelihood of future contracts. The Group’s business is such that, while it receives some income by means of regular periodical payments, its major sources of income are very large payments that

POWERLAN

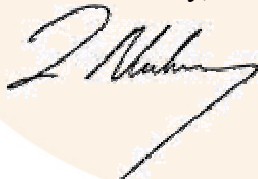
are payable at irregular intervals. Bearing such factors in mind, while we believe that operating cash flows will be positive in the future, we acknowledge that there is always the possibility that there will be quarters of negative cash flow in the future. As advised in point 1. above, the Group will be supported during such periods, if necessary, by its Chairman.

I should also point out that despite the difficult economic environment that we are all currently experiencing and the Board's desire to see the underlying businesses achieve profitability this year, we continue to seek to take advantage of the business opportunities that are presented to each of the Group's businesses to achieve continued growth, with the possible result that expenses may outstrip receipts while we invest in that growth.

3. In the quarter ended 31st March 2009, there was a slight shortfall of actual revenue compared to budgeted revenue and expenses were broadly in line with budget, although some headcount increases were deferred until future revenues are secured.
4. As noted above, actual revenues were substantially in accordance with budget forecasts. But, also as explained above, the difficulty during the quarter ended 31st March 2009 once again related to the erratic timing of receipts compared with the regularity of the payment of expenses.
5. The Company can confirm that it is in compliance with the Listing Rules, including Listing Rule 3.1. The Company has at no time failed to disclose information which might reasonably be expected to have a material effect on the market price or the value of its securities.
6. The Group's financial position is such that it would be unreasonable to form an opinion that the Company's continued listing and the continued quotation of its securities would not be warranted. As at 31st March 2009, the Group's net asset position was in excess of \$10.1 million and it is anticipated that it will improve its position and generate continued growth, notwithstanding the current difficult economic times.

Please do not hesitate to contact me if you require any additional information.

Yours sincerely,



Jon Newbery
Chief Executive Officer &
Company Secretary



13 May 2009

Mr Jon Newbery
Chief Executive Officer
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Dear Jon

Powerlan Limited (the "Company")

I refer to the Company's Quarterly Report in the form of an Appendix 4C for the period ended 31 March 2009, released to ASX Limited ("ASX") via a Company Announcement on 1 May 2009 (the "Appendix 4C"). ASX notes that the Company has reported the following.

1. Receipts from customers of \$9,275,000.
2. Negative net operating cash flows for the quarter of \$2,639,000.
3. Positive cash at end of the quarter of \$2,026,000.

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 2 quarters. 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 for the quarter 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. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
6. 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 on facsimile number (02) 9241 7620 or by email at emma.badhni@asx.com.au. 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 9.30 am A.E.S.T on Tuesday, 19 May 2009.

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 regarding any of the above, please let me know.

Yours sincerely,

(sent electronically without signature)

Emma Badhni
Senior Adviser, Issuers (Sydney)