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25 March 2009

Dear Shareholder

Supplementary Notice

Supporting the Valuation Report accompanying the Hostech Limited Notice of General Meeting

Further to a request from ASIC, the Board provides this additional information to supplement the Valuation Report accompanying the Notice of General Meeting of Hostech Limited on April 21, 2009.

On 16 March 2009 Hostech announced that it had entered into a Subscription Agreement with Flaxton Hunter. Under the Subscription Agreement the Company will issue 250,000,000 Shares at an issue price of $0.01 (1 cent) per Share and 250,000,000 free attaching Options exercisable at 1 cent on or before the date of expiry being 5 years from the issue date. Funds received from the issue of Shares and Options will be used for working capital purposes.

In the Valuation Report (Section 6.1) the buyers premium was stated as 43% compared to the three month Volume Weighted Average Price (VWAP) of Shares. It was stated in the report that the free attaching Options were effectively treated as exercised Shares in the valuation.

This Supplementary Notice provides a valuation of the Options valued as distinct and separate to the Shares being subscribed for by Flaxton Hunter*. This Supplementary Notice does not change the Board's view of the proposed transaction or the recommendation.*

Utilising a Black-Scholes valuation model, which is one of the valuation tools for unlisted Options recommended in ASIC Regulatory Guide 111, the value of the Options exercised at expiration is $0.0018 (that is 0.018 cents) or an overall estimated value of $450,000.

When combined with the VWAP calculation of $0.007 per Share, the transaction value equates to $0.0088 per Share or a premium of 14% to market.

As a result, if the Options are not separately valued, the premium to market for the proposed transaction is 43% and if the Options are valued separately the premium to market is 14%. *In the opinion of the Board this represents a 'fair' offer to non associated Shareholders.*

Please note, that the assumptions driving the valuation of the Options are based on the trading of the stock for the three months up to the initial announcement of the deal with Flaxton Hunter (which is consistent with the calculation of the VWAP figures in the Valuation Report). If a longer time scale was used in the model, it is possible that given the volatility of the stock in the last 12 months that the modeled value of the Options could be higher than the stated $450,000.

As per the Valuation Report, in the event that different assumptions are used to derive a value for the Options that resulted in what could be deemed as an unfair value, ultimately in the Board's view the only objective conclusion that can be taken is that the proposed transaction remains a 'reasonable' proposal as the Company, and thus Shareholders, will have significantly diminished (if any) value should this transaction not take place.

The board repeats its strong recommendation to vote in favour of all resolutions at the general meeting on April 21, 2009.

Assumptions driving this calculation include:

Stock asset price	$0.007	Maturity to Expiration	5 years
Option strike price	$0.01	Risk free interest rate	4%
Volatility	35%		

The stock asset price is the three month VWAP for the Shares. It was deemed appropriate to use the VWAP as it provided a clearer indication of price over the period rather than a single point in time. The risk free interest rate represents the interest rate of short term government bonds. The assumption of 4% is a conservative estimate given today's market.

The volatility can have a major impact on the model outcome. A lower volatility rate would result in a lower Option value and a higher premium. A higher volatility has the converse outcome. Over the three months of the VWAP calculation a volatility of 35% provides a trading range of half of one cent which the Board believes to be fair.

A volatility of 20% would result in a premium of 28%, whilst a volatility rate of 50% would result in a premium of only 3%.

A volatility above 50% (which would likely result from a valuation incorporating data from the last 12 months) would result in no premium being paid by Flaxton Hunter.

There is no change or supplementary information to the valuation of the Convertible Notes.

Yours faithfully

Michael Abela
Chief Executive & Director