

HOSTECH LIMITED

ACN 009 805 298

Notice of General Meeting and Explanatory Statement

Notice is hereby given that a General Meeting of the Shareholders of Hostech Limited will be held at the North Sydney Harbour View Hotel, 17 Blue Street, North Sydney, New South Wales 2060 on Tuesday 30 March 2010 at 2:00 p.m. AEST.

TO BE VALID, FORMS OF PROXY FOR USE AT THE GENERAL MEETING MUST BE
COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN
2.00 P.M. AEST ON SUNDAY 28 MARCH 2010

**THIS DOCUMENT IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION.
IF YOU ARE UNABLE TO ATTEND THE GENERAL MEETING, PLEASE COMPLETE THE
FORM OF PROXY ATTACHED AT THE BACK OF THIS DOCUMENT AND RETURN IT IN
ACCORDANCE WITH THE INSTRUCTIONS SET OUT ON THAT FORM.**

Chairman's Letter

Dear Shareholder,

I am pleased to invite you to an extra-ordinary general meeting to be held on March 30, 2010 to approve the various resolutions contained in the attached notice of meeting.

Following is a brief overview of the transactions proposed to you by your board of directors. We believe this presents an outstanding opportunity for Hostech to reach a new level of both performance and value for shareholders.

Firstly, we are seeking shareholder approval for the previous issue of shares to 5Star Telecom and OfficeLink Plus. These acquisitions were completed on December 31, 2009 and I can report that the integration of these businesses into the day to day operations of the broader Hostech group, under the leadership of Carlos Perez, is proceeding with great pace and success. Not only have these acquisitions considerably increased the revenue base of your company, they have provided a strong footing to build profits and broaden our commercial offering. The reason for seeking shareholder approval after completion is to renew the business's capacity to issue equity under the 15% rule.

Secondly, we seek your approval for our most recent round of intended acquisitions. You will have read our announcements to the ASX concerning the acquisition of Anittel, AXXIS, Aspirence and Accord and we are confident that these transactions will deliver significant shareholder returns well into the future. The market announcements have provided an overview of the companies being acquired and the notes attached provide further insights into the businesses and the individual transactions. We have determined that, to appropriately fund these purchases and associated integration costs, we will require \$6.9m in cash and \$5m in working capital.

With regards to the source of these funds, it is our intention to minimise dilution whilst maximising the Company's ability to continue its current growth trajectory. To achieve this aim, the board has requested funds from Flaxton Hunter Pty Ltd (FH) under the terms of the convertible note facility. This facility provided for up to \$17.5m at \$0.02 per share, \$500k of which was drawn down in July of 2009.

In responding to the board's request, FH have agreed to facilitate the transaction by providing \$12m in a combination of converting and non-converting debt. Given the earnings potential of the re-invigorated HTC post-EGM, FH and the board have also agreed to remove any future ability to draw down on the note as the \$0.02 strike price will be, at some point, too great a discount to Hostech's listed share price.

In the past four months, we have built the framework to deliver a profitable business for our shareholders. Our team is excited and energised in our efforts to deliver the best service to our customers all around Australia. I would finally like to take this opportunity to thank you for your continued support of Hostech.

Yours sincerely,

Campbell Corfe
Chairman

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Shareholders of Hostech Limited ACN 009 805 298 will be held at the North Sydney Harbour View Hotel, 17 Blue Street, North Sydney, New South Wales 2060 on Tuesday 30 March 2010 at 2:00 p.m. AEST.

1. Business

Resolution 1 – Approve the previous issue of 45,000,000 Shares for the acquisition of the assets of 5Star Telecom Pty Ltd

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 7.4 and all other purposes, the issue of 45,000,000 Shares for the acquisition of the assets of 5Star Telecom Pty Ltd, as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 1 by a person who participated in the issue and any associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Approve the previous issue of 32,500,000 Shares for the acquisition of the assets of OfficeLink Plus Pty Ltd

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 7.4 and all other purposes, the issue of 32,500,000 Shares for the acquisition of the assets of OfficeLink Plus Pty Ltd, as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 2 by a person who participated in the issue and any associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 – Approve the issue of up to 187,500,000 Shares and 3,400,000 Convertible Notes for the acquisition of Anittel Limited

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 7.1 and all other purposes, the issue of up to 187,500,000 Shares and 3,400,000 Convertible Notes for the acquisition of Anittel Limited, as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 3 by any person who may participate in the proposed issue and a person who might obtain a benefit. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Approve the issue of up to 17,857,143 Shares for the acquisition of Axxis Technology Pty Ltd

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 7.1 and all other purposes, the issue of up to 17,857,143 Shares for the acquisition of Axxis Technology Pty Ltd, as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 4 by any person who may participate in the proposed issue and a person who might obtain a benefit. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Approve the issue of up to 3,571,429 Shares for the acquisition of the assets of Aspirence Pty Ltd

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 7.1 and all other purposes, the issue of up to 3,571,429 Shares for the acquisition of the assets of Aspirence Pty Ltd as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 5 by any person who may participate in the proposed issue and a person who might obtain a benefit. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Approve the issue of up to 96,000,000 Shares for the acquisition of Accord Technologies (WA) Pty Ltd

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 7.1 and all other purposes, the issue of up to 96,000,000 Shares for the acquisition of Accord Technologies (WA) Pty Ltd, as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 6 by any person who may participate in the proposed issue and a person who might obtain a benefit. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 – Approve the issue of up to 10,000,000 Convertible Notes to Flaxton Hunter Pty Ltd or its nominees.

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.11 and all other purposes, the issue of up to 10,000,000 Convertible Notes to Flaxton Hunter Pty Ltd or its nominees, as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 7 by Flaxton Hunter Pty Ltd, any person who may participate in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 – Approve the issue of 1,500,000 Options to Alan Chalmers or his nominee

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.11 and all other purposes, the issue of 1,500,000 options to Alan Chalmers or his nominee (and the subsequent issue of 1,500,000 Shares upon conversion of such Options) as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 8 by any person who will participate in the issue and any associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 9 – Approve the issue of 1,500,000 Options to Steve McAllister or his nominee

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.11 and all other purposes, the issue of 1,500,000 options to Steve McAllister or his nominee (and the subsequent issue of 1,500,000 Shares upon conversion of such Options) as referred to in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 9 by any person who will participate in the issue and any associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10 – Approve the giving of financial assistance

To consider and, if thought fit, pass the following resolution as a special resolution:

*“That subject to the passing of Resolution 3, for the purposes of section 260B(2) of the Corporations Act and all other purposes, the giving by the Company of financial assistance to Peter Kazacos and Vicki Kazacos in connection with its acquisition of Shares by way of granting a charge over the Company’s assets (the **Charge**) as referred to in the Explanatory Statement and undertaking steps ancillary to that grant, is approved.”*

Voting Exclusion Statement: The Company will disregard any votes cast on resolution 10 by Peter Kazacos and Vicki Kazacos and any of their associates. However, the Company need not disregard a vote, if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Determination of voting entitlement

For the purpose of determining a person’s entitlement to vote at the General Meeting, a person will be recognized as a Shareholder and the holder of Shares if that person is registered as a holder of those Shares at 7:00 p.m. AEST on Friday 26 March 2010.

3. Votes

On a show of hands, each Shareholder present in person or by proxy or, in the case of a body corporate present by a representative, shall have one vote.

On a poll, every Shareholder present in person or by attorney or by proxy or, in the case of a body corporate present by a representative, shall have one vote for each Share held by him, her or it.

4. Proxies

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Shareholder.

Where the Shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder’s votes each proxy may exercise, each proxy may exercise half of the votes.

A proxy need not be a Shareholder.

To be effective, the instrument of appointment of a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority) must be received by the Company at 71 Thistlethwaite Street, South Melbourne VIC 3205 or by facsimile on 03 9698 7878 by 2:00 p.m. AEST on Sunday 28 March 2010.

EXPLANATORY STATEMENT

Resolution 1 - Approve the previous issue of 45,000,000 Shares for the acquisition of the assets of 5Star Telecom.

Background

On 13 January 2010, the Company issued 45,000,000 Shares as consideration for the acquisition of 5Star Telecom.

5Star Telecom is a profitable Sydney based reseller of mobile, fixed line, data and managed services to small business customers with revenues in excess of \$3,000,000 per annum. The addition of the 5Star customer bases and accompanying annuity revenue streams add an exciting dimension to the business and will enable Hostech to offer its customers a broader range of communications services. For further information regarding the 5Star business, please visit www.5startelecom.com.au.

Hostech acquired the assets of 5Star Telecom for the total consideration of \$1,030,000 satisfied by the payment of \$130,000 in cash and the issue of 45,000,000 Shares at an issue price of \$0.02 per share. The 45,000,000 Shares were issued without prior Shareholder approval and in compliance with ASX Listing Rule 7.1

ASX Listing Rules 7.1, 7.4 & 7.5

ASX Listing Rule 7.1 provides that a listed company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of shareholders.

ASX Listing Rule 7.4 provides that an issue of shares made without approval under Listing Rule 7.1 is treated as been made with approval if each of the following applies:

- the issue did not breach Listing Rule 7.1, and
- the shareholders of ordinary securities subsequently approve the issue.

The issue of 45,000,000 Shares as consideration for the acquisition of the assets of 5Star Telecom did not breach ASX Listing Rule 7.1 and the Company seeks subsequent Shareholder approval for the issue of Shares for the purposes of ASX Listing Rule 7.4 and all other purposes.

The following information is provided to Shareholders in accordance with ASX Listing Rule 7.5:

- The number of securities allotted in the issue referred to in resolution 1 was 45,000,000 Shares.
- The 45,000,000 Shares were issued as consideration for the acquisition of the assets of 5Star Telecom. No funds were raised from the issue of Shares.
- The Shares were issued at \$0.02 per Share.
- The Shares issued rank equally in all respects with the Company's existing Shares. However, the 45,000,000 Shares will be held in voluntary escrow until 31 December 2010.

- The Shares were issued to Franlos Pty Ltd. Hostech Managing Director Carlos Perez is director and 50% shareholder of Franlos Pty Ltd. Mr. Perez was appointed a director of Hostech following the issue of Shares to Franlos Pty Ltd and therefore was not a related party of the Company at the time of issue.

Resolution 2 - Approve the previous issue of 32,500,000 Shares for the acquisition of the assets of OfficeLink +.

Background

On 19 January 2010, the Company issued 32,500,000 Shares as consideration for the acquisition of OfficeLink+.

OfficeLink+ is a profitable national business offering managed private network services to business customers with annual revenues in excess of \$3,000,000. The addition of the 5Star and OfficeLink+ customer bases and accompanying annuity revenue streams add an exciting dimension to the business and will enable Hostech to offer its customers a broader range of communications services. For further information regarding the OfficeLink+ business, please visit www.officelink.net.au.

Hostech acquired the assets of OfficeLink+ for the total consideration of \$900,000 satisfied by the payment of \$250,000 in cash and the issue of 32,500,000 Shares at an issue price of \$0.02 per Share. The 32,500,000 Shares were issued without prior shareholder approval and in compliance with ASX Listing Rule 7.1

ASX Listing Rules 7.1, 7.4 & 7.5

ASX Listing Rule 7.1 provides that a listed company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of shareholders.

ASX Listing Rule 7.4 provides that an issue of shares made without approval under Listing Rule 7.1 is treated as been made with approval if each of the following applies:

- the issue did not breach Listing Rule 7.1, and
- the shareholders of ordinary securities subsequently approve the issue.

The issue of 32,500,000 Shares as consideration for the acquisition of the assets of OfficeLink+ did not breach ASX Listing Rule 7.1 and the Company seeks subsequent Shareholder approval for the issue of Shares for the purposes of ASX Listing Rule 7.4 and all other purposes.

The following information is provided to Shareholders in accordance with ASX Listing Rule 7.5:

- The number of securities allotted in the issue referred to in resolution 2 was 32,500,000 Shares
- The 32,500,000 Shares were issued as consideration for the acquisition of the assets of OfficeLink+. No funds were raised from the issue of Shares.
- The Shares were issued at \$0.02 per Share.

- The Shares issued rank equally in all respects with the Company's existing Shares. However, 26,000,000 of the 32,500,000 Shares issue will be held in voluntary escrow until 31 December 2010.
- The Shares were issued to Tameion Pty Ltd <Tameion Super Fund A/C> as the seller of the OfficeLink+ business.
- The Company confirms that none of the Shares were issued to related parties of the Company.

Resolution 3 – Approve the issue of 187,500,000 Shares and 3,400,000 Convertible Notes for the acquisition of Anittel Limited

Anittel

Anittel is a National, Full-Service, IT and Telecommunications Company – focusing on small, medium and regional enterprises and over \$40,000,000 in annual revenues.

Servicing 6,000 customers from 16 industry verticals including State & Local Government, Utilities, Banking, Finance & Insurance, Health and Education, Anittel is certified to design, configure, deploy and maintain a vast portfolio of integrated IT solutions from the world's leading technology providers. Some of Anittel's most prolific best of breed technologies include Microsoft, Telstra, HP, Cisco, IBM, Lenovo, Citrix, VMware, Symantec and EMC. Anittel specialises in tailoring unique ICT and business solutions to organisations across Australia.

Anittel delivers expertise and professionalism across five business lines: Applications, Infrastructure, Telecommunications, Unified Communications and Managed Services. Anittel is dedicated to understanding its clients business and creating intelligent, tailored and financially beneficial solutions that help to achieve business goals. Anittel specialises in solutions for SMEs (up to 500 employees), Mid-market (up to 1000 employees) and Regional based Australian Organisations of all sizes.

Anittel was recently awarded the SMB Reseller of the Year (ARN 2008), the Citrix Partner of the Year (2008) and the South Australian iAward for Innovation in Tourism and Hospitality. Anittel rebranded from PKBA in September of 2009. For further information on Anittel please visit www.anittel.com.au

Acquisition of Anittel

On 10 February 2010 Hostech announced its intention to acquire Anittel. The acquisition will be satisfied by the payment of \$1,300,000 in cash, the issue of 187,500,000 Shares (at an issue price of \$0.02 per Share) and the issue of 3,400,000 Convertible Notes.

For the purposes of ASX Listing Rule 7.1 and all other purposes, resolution 3 seeks Shareholder approval for the issue of 187,500,000 Shares and 3,400,000 Convertible Notes as part consideration for acquisition of Anittel.

ASX Listing Rules 7.1 & 7.3

ASX Listing Rule 7.1 provides that a listed Company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of shareholders.

In accordance with ASX Listing Rule 7.1, resolution 3 seeks Shareholder approval for the issue of 187,500,000 Shares and 3,400,000 Convertible Notes as part consideration for the acquisition of Anittel.

In accordance with ASX Listing Rule 7.3 the Company provides the following information to shareholders in relation to resolution 3.

The maximum number of securities to be issued is 187,500,000 Shares and 3,400,000 Convertible Notes.

187,500,000 Shares

- The Shares will be allotted and issued progressively within 3 months from the date of the meeting (or as modified by ASX waiver).
- The Shares will be issued at \$0.02 per Share.
- The Shares will be issued to:

Name	Number of Shares
Peter and Vicki Kazacos	123,187,500
Evangello Kandros	8,756,250
Stephen and Josephine Gloria Lombardo	17,906,250
Hilbourn Pty Ltd <Hilbourn Family A/C>	11,587,500
Preser Pty Ltd <Jackmine A/C>	1,237,500
Bostealinc Pty Ltd <Bostea Investment A/C>	24,243,750
Tracy Leone Goulding	581,250
Total	<u>187,500,000</u>

- The 187,500,000 Shares will be held in voluntary escrow for the following periods:
 - in respect of Peter and Vicki Kazacos and Evangello Kandros, for a period of 24 months from the date of issue; and
 - in respect of Stephen and Josephine Gloria Lombardo, Hilbourn Pty Ltd <Hilbourn Family A/C> and Bostealinc Pty Ltd <Bostea Investment A/C>, for a period of 12 months. Hostech has agreed that 36.2% of these Shares may be released from escrow 7 months after the date of issue, provided the sale is conducted by way of private placement to sophisticated or professional investors or institutional placement.
- The 187,500,000 Shares will rank equally in other respects with the Company's existing quoted Shares.
- There are no funds being raised from the issue of Shares as the Shares will be issued as consideration for the acquisition of Anittel.

- The Company confirms that the Shares referred to in resolution 3 will not be issued to related parties of the Company at the date of issue.

3,400,000 Convertible Notes

- The Convertible Notes will be allotted and issued progressively within 3 months from the date of the meeting (or as modified by ASX waiver).
- The 3,400,000 Convertible Notes will be issued to Peter Kazacos and Vicki Kazacos.
- Each Convertible Note has a face value of \$1 and is convertible at the option of the Noteholder into 50 new Shares (representing an effective issue price of \$0.02 per Share). Convertible Notes bear interest of 7% per annum (accruing daily and capitalising quarterly) and are convertible into new Shares any time before the maturity date being 5 years from the issue date. Alternatively, Convertible Notes may be redeemed by a Noteholder any time on or after the maturity date. Convertible Notes are transferable. For further details on the terms and conditions of the Convertible Notes please see Annexure C.
- Subject to the passing of resolution 10, the Company's obligations in respect of the Convertible Notes proposed to be issued under resolution 3 will be secured by the fixed and floating charge over the Company's assets.
- There are no funds being raised from the issue of Convertible Notes as the Convertible Notes will be issued as consideration for the acquisition of Anittel.
- The Company confirms that Convertible Notes referred to in resolution 3 will not be issued to related parties of the Company at the date of issue.

Resolution 4 – Approve the issue of 17,857,146 Shares for the acquisition of Axxis Technology Pty Ltd

Axxis Technology

Formed in 1989, Axxis Technology Pty Ltd is the local IT partner for businesses in Bathurst, Dubbo and Orange. The regional dedication of the Axxis team coupled with impressive training credentials culminated in Axxis winning the worldwide Partner of The Year 2006 (Small Business Specialist) at the Microsoft Partner Conference followed by Axxis Technology Pty Ltd being named as the Best IT Business in Australia at the national Small Business Champions Awards in 2008.

In the 2009 financial year Axxis Technology Pty Ltd achieved revenues in excess of \$3,500,000. For further information on Axxis Technology Pty Ltd please visit www.axxis.com.

Acquisition of Axxis Technology

On 10 February 2010 Hostech announced its intention to acquire Axxis Technology Pty Ltd for the total consideration of \$2,000,000 to be satisfied by the payment of \$1,500,000 in cash and the issue of 17,857,146 Shares (at an issue price of \$0.028 per share).

For the purposes of ASX Listing Rule 7.1 and all other purposes, resolution 4 seeks Shareholder approval for the issue of 17,857,146 Shares as part consideration for acquisition of Axxis Technology.

ASX Listing Rules 7.1 & 7.3

ASX Listing Rule 7.1 provides that a listed Company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of shareholders.

In accordance with ASX Listing Rule 7.1, resolution 4 seeks Shareholder approval for the issue of 17,857,146 Shares as part consideration for the acquisition of Axxis Technology.

In accordance with ASX Listing Rule 7.3 the Company provides the following information to shareholders in relation to resolution 4.

- The maximum number of securities to be issued is 17,857,146 Shares.
- The Shares will be allotted and issued progressively within 3 months from the date of the meeting (or as modified by ASX waiver).
- The Shares will be issued at \$0.028 per Share.
- The Shares will be issued to:

Name	Number of Shares
Kaddam Pty Limited	16,071,429
David Graham MacBeth	892,934
Mark Anthony MacBeth	892,934
Total	17,857,146

- The 17,857,146 Shares will be held in voluntary escrow for a period of 12 months from the date of issue. The 17,857,146 will rank equally in other respects with the Company's existing quoted Shares.
- There are no funds being raised from the issue of Shares as the Shares will be issued as consideration for the acquisition of Axxis Technology.
- The Company confirms that the securities referred to in resolution 4 will not be issued to related parties of the Company.

Resolution 5 – Approve the issue of 3,571,429 Shares for the acquisition of the assets of Aspirence Pty Ltd

Aspirence

Aspirence is a profitable NSW regional technology and telecommunications business with revenues in excess of \$2,500,000. Aspirence is a regional leader in computer network integration servicing the Murray River delta with offices at Albury Wodonga and Wagga Wagga.

Aspirence is a Microsoft Gold Partner, Cisco Premier Partner and IBM Business Partner - a rare triple achievement in regional Australia. For further information on Aspirence please visit www.aspirence.com.au.

Acquisition of Aspirence

On 10 February 2010 Hostech announced its intention to acquire the assets of Aspirence Pty Ltd for the total consideration of \$600,000 to be satisfied by the issue of 3,571,429 Shares (at an issue price of \$0.028 per Share) and a cash payment of \$500,000.

For the purposes of ASX Listing Rule 7.1 and all other purposes, resolution 5 seeks Shareholder approval for the issue of 3,571,429 Shares as part consideration for acquisition of the assets of Aspirence.

ASX Listing Rules 7.1 & 7.3

ASX Listing Rule 7.1 provides that a listed Company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of shareholders.

In accordance with ASX Listing Rule 7.1, resolution 5 seeks Shareholder approval for the issue of 3,571,429 Shares as part consideration for the acquisition of the assets of Aspirence.

In accordance with ASX Listing Rule 7.3 the Company provides the following information to shareholders in relation to resolution 5.

- The maximum number of securities to be issued is 3,571,429 Shares.
- The Shares will be allotted and issued progressively within 3 months from the date of the meeting (or as modified by ASX waiver).
- The Shares will be issued at \$0.028 per Share.
- The 3,571,429 Shares will be issued to Aspirence Pty Ltd
- The 3,571,429 Shares will be held in voluntary escrow for a period of 12 months from the date of issue. The 3,571,429 will rank equally in other respects with the Company's existing quoted Shares.
- There are no funds being raised from the issue of Shares as the Shares will be issued as consideration for the acquisition of the assets of Aspirence.

- The Company confirms that the Shares referred to in resolution 5 will not be issued to related parties of the Company.

Resolution 6 – Approve the issue of up to 96,000,000 Shares for the acquisition of Accord Technologies (WA) Pty Ltd

Accord

Established in 1994, Accord Technologies (WA) Pty Ltd (“Accord”) is a Western Australian owned Quality Assured IT solutions provider servicing the corporate, education and government sectors. The company supports over 20,000 managed service endpoints at its primary client sites. To June 2009, Accord reported \$xxx in revenue. For more information on Accord please visit www.accord.com.au.

Acquisition of Accord

On 10 February 2010 Hostech announced its intention to acquire Accord for the total consideration of \$6,000,000 to be satisfied by the issue of 96,000,000 Shares (at an issue price of \$0.025 per Share) and a cash payment of \$3,600,000.

For the purposes of ASX Listing Rule 7.1 and all other purposes, resolution 6 seeks Shareholder approval for the issue of 96,000,000 Shares as part consideration for acquisition of Accord.

ASX Listing Rules 7.1 & 7.3

ASX Listing Rule 7.1 provides that a listed Company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of shareholders.

In accordance with ASX Listing Rule 7.1, resolution 6 seeks Shareholder approval for the issue of 96,000,000 Shares as part consideration for the acquisition of Accord.

In accordance with ASX Listing Rule 7.3 the Company provides the following information to shareholders in relation to resolution 6.

- The maximum number of securities to be issued is 96,000,000 Shares.
- The Shares will be allotted and issued progressively within 3 months from the date of the meeting (or as modified by ASX waiver).
- The Shares will be issued at \$0.025 per Share.

- The Shares will be issued to:

Name	Number of Shares
Texas Holdings Pty Limited <M & N Ford Family A/C>	20,100,840
Stephen James Wyndham <Wyndham Family A/C>	30,252,101
John Donald Ross Sharp and Gail Myna Sharp <Sharp Family A/C>	6,722,689
Beachside 7 Pty Ltd <Brewer Family A/C>	19,226,891
Crox Development Pty Ltd <Crockett Family A/C>	19,697,479
Total	96,000,000

- The 96,000,000 Shares will be held in voluntary escrow for a period of 12 months from the date of issue. The 96,000,000 Shares will rank equally in all other respects with the Company's existing quoted Shares.
- There are no funds being raised from the issue of Shares as the Shares will be issued as consideration for the acquisition of Accord.
- The Company confirms that the Shares referred to in resolution 6 will not be issued to related parties of the Company.

Resolution 7 – Approve the issue of up to 10,000,000 Convertible Notes to Flaxton Hunter Pty Ltd or its nominees

Shareholders are being asked to approve the issue of 10,000,000 Convertible Notes to Flaxton Hunter or its nominees. Shareholder approval is sought for the purposes of ASX Listing Rule 10.11 and for all other purposes.

Background

On 16 March 2009 the Company announced that it had entered into Agreements with Flaxton Hunter. The Agreements provided the Company with access to up to \$22,500,000 by way of a \$2,500,000 Share and Option issue, up to an additional \$2,500,000 to be received upon exercise of Options (if this occurs) and a Convertible Note facility which may be drawn down by the Company up to the value of \$17,500,000 subject to any necessary approval by Shareholders and Flaxton Hunter. The Agreements were entered into at arm's length on fair and reasonable commercial terms.

In 2009 the Company raised \$3,000,000 pursuant to the Agreements by way of a \$2,500,000 Share and Options placement and an initial drawdown of \$500,000 in Convertible Notes. Pursuant to the Agreements the Company may access up to a further \$17,000,000 funding from Flaxton Hunter (or its nominees) at the request of the Company and subject to any necessary Shareholder approval and approval by Flaxton Hunter. As announced in 2009 it is intended that these funds will be drawn down in the future to fund future acquisitions.

On February 10 2010 the Company announced its intention to acquire Anittel, Axxis Technology, Aspience and Accord. The terms of these proposed acquisitions have been set out in this Explanatory Statement. The combined cash component for the purchase of these companies is \$6,900,000. The Company intends to finance the cash component of the acquisitions via the placement of up to 10,000,000 Convertible Notes with a face value of \$1 per note, raising up to \$10,000,000. It is intended that the remainder of funds raised from the placement of Convertible Notes will be used to finance further future acquisitions and for working capital purposes.

Related Party Transaction

The issue of up to 10,000,000 Convertible Notes to Flaxton Hunter or its nominees is a related party transaction, and therefore, requires Shareholder approval in accordance with ASX Listing Rule 10.11.

The Chairman of the Company, Campbell Corfe, is related party of the Company by virtue of his position as a Director.

Campbell Corfe is a director of Flaxton Hunter Pty Ltd and a director of Corfe Associates Pty Ltd the trustee of the SE & CE Corfe Family Trust (which owns 50% of the shares in Flaxton Hunter Pty Ltd) and Campbell Corfe is a beneficiary of the Family Trust. The remaining 50% of the issued shares in Flaxton Hunter are owned by Flaxton Enterprises Pty Ltd as trustee for the Robertson Family Trust. Campbell Corfe is an appointor of the Robertson Family Trust. As such, Flaxton Hunter is a related party of the Company.

ASX Listing Rule 10.11 & 10.13

ASX Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities (including convertible securities) to a related party without the approval of holders of ordinary securities.

In accordance with ASX listing rule 7.2 (Exception 14) if approval is given under listing rule 10.11, approval is not required under listing rule 7.1

The following information is provided in accordance with ASX Listing Rule 10.13.

A maximum of 10,000,000 Convertible Notes will be issued to Flaxton Hunter or its nominees if Resolution 7 is approved by Shareholders. If Shareholder approval is given the 10,000,000 Convertible Notes will be issued no later than one month after the date of the Meeting.

Each Convertible Note has a face value of \$1.00. A maximum amount of \$10,000,000 will be raised from the issue of Convertible Notes the subject of Resolution 7. Approximately \$6,900,000 of the funds raised from the issue of Convertible Notes will be used to fund the acquisitions of Anittel, Axxis Technology, Aspirence and Accord. The remaining funds raised from the issue of Convertible Notes (being a maximum of \$3,100,000) will be used to finance future acquisitions and for working capital purposes.

Subject to any adjustment made in respect of bonus issues or reorganisations of the Company, each Convertible Note is convertible at the option of the Noteholder into 50 new Shares (representing an effective issue price of \$0.02 per Share). The Convertible Notes may be converted into Shares at any time before the maturity date being 5 years from the issue date.

Convertible Notes bear interest at the rate of 7% per annum (accruing daily and capitalising quarterly). Convertible Notes may also be redeemed if an event of default occurs on or prior to the maturity date.

The Company's obligations in respect of the Convertible Notes proposed to be issued under resolution 7 will be secured by the fixed and floating charge over the Company's assets, which was granted by the Company in favour of Flaxton Hunter in July 2009 following the Shareholder approvals given at the general meeting held in April 2009 (and which secured the first tranche of 500,000 Convertible Notes granted after that meeting).

Convertible Notes are fully transferable without the need for approval by the Company. For further details on the terms and conditions of the Convertible Notes please see Annexure C. The terms of issue of the Convertible Notes are unchanged from the terms of the 500,000 Convertible Notes that were issued to Flaxton Hunter following the Shareholder approval of those notes at the general meeting of the Company held in April 2009.

Effect of the resolutions on the interests of Flaxton Hunter

Current Interest in Shares

Flaxton Hunter currently (as at the date of this notice) holds the following Shares:

Number	Security	% of Shares
250,000,000	Shares	41.79 of all Shares on issue at the date of this notice

Flaxton Hunter currently (as at the date of this notice) holds the following other securities issued by the Company:

Number	Security
161,581,382	Options (exercisable on or before 22 June 2014 for an exercise price of \$0.01 per Share)

Interest in Hostech securities assuming Resolutions 3 to 10 are passed.

If Resolutions 3 to 10 are approved, Flaxton Hunter will hold the following Shares:

Number	Security	% of Shares
250,000,000	Shares	27.68

If Resolutions 3 to 10 are approved, Flaxton Hunter will hold the following other securities issued by the Company:

Number	Security
111,581,382	Options (exercisable on or before 22 June 2014 for an exercise price of \$0.01 per Share)
10,000,000 (maximum)	Convertible Notes (issued on the terms described in this explanatory memorandum)

Directors Recommendations

Mr. Corfe's fellow directors Matthew Costello, Alan Chalmers, Ilkka Tales and Carlos Perez do not have a personal interest in resolution 7 and recommend that non-associated shareholders vote in favour of resolution 7. The issue of up to 10,000,000 Convertible Notes to Flaxton Hunter or its nominees will provide the Company with approximately \$6,900,000 to complete the acquisitions of Anittel, Axxis Technology, Aspirence and Accord previously set out in this Explanatory Statement. These transactions will add scale to the Company's existing portfolio of assets servicing small to medium businesses and add over \$60,000,000 in annual revenue to the Company. The issue of up to 10,000,000 Convertible Notes will also provide the Company with up to \$3,100,000 of additional funds which will be used to fund the working capital requirements of the Company and to finance future acquisitions.

Mr. Corfe declines to make a recommendation to Shareholders in relation to resolution 7 because as a director of Flaxton Hunter, he has a material personal interest in the transaction the subject of Resolution 7.

Resolutions 8 & 9 – Approve the issue of 1,500,000 Options to Alan Chalmers or his nominee (Resolution 8) and approve the issue of 1,500,000 Options to Steve McAllister or his nominee (Resolution 9)

Shareholders are being asked to approve Resolutions 8 and 9 for the issue of 1,500,000 Options to Alan Chalmers or his nominee (Resolution 8) and 1,500,000 Options to Steve McAllister or his nominee (Resolution 9). Shareholder approval is sought for the purposes of ASX Listing Rule 10.11 and all other purposes.

Mr. Chalmers is a related party of the Company by virtue of his position as a director of the Company. It is intended that Mr. McAllister will be appointed a director of the Company prior to the issue of 1,500,000 Options, therefore, at the date of the issue of the 1,500,000 Options Mr. McAllister will be a related party of the Company.

For the purposes of the ASX Listing Rule 10.11, resolutions 8 and 9 are required to be passed before the Options can be issued.

ASX Listing Rule 10.11 & 10.13

ASX Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities (including options) to a related party without the approval of holders of ordinary securities.

In accordance with ASX listing rule 7.2 (Exception 14) if approval is given under listing rule 10.11, approval is not required under listing rule 7.1

The following information is provided in accordance with ASX Listing Rule 10.13.

Resolution 8

A total of 1,500,000 Options will be issued if Resolution 8 is approved. The Options will be issued to Alan Chalmers or his nominee. 750,000 of the Options the subject of resolution 8 will be exercisable at \$0.03 and the remaining 750,000 Options will be exercisable at \$0.05. The Options are exercisable on or before 31 March 2015.

The Options will be issued for nil consideration. No funds will be raised from the issue. The Company will raise a total of \$60,000 if all the Options are exercised and Shares are allotted before the expiry date of 31 March 2015. It is anticipated that any funds raised from the exercise of Options will be used for working capital purposes. There is no guarantee that the Options will be exercised at all. If Shareholders approve Resolutions 8, the Company will issue the Options within one month of the date of the meeting.

Resolution 9

A total of 1,500,000 Options will be issued if Resolution 9 is approved. The Options will be issued to Steve McAllister or his nominee. The 1,500,000 Options will be exercisable at \$0.05 on or before 31 March 2015.

The Options will be issued for nil consideration. No funds will be raised from the issue. The Company will raise a total of \$75,000 if all the Options are exercised and Shares are allotted before the expiry date of 31 March 2015. It is anticipated that any funds raised from the exercise of Options will be used for working capital purposes. There is no guarantee that the Options will be exercised at all. If Shareholders approve Resolution 9, the Company will issue the Options within one month of the date of the meeting.

Terms & Conditions of Options

General terms and conditions of the Options not outlined above are:

- Each Option entitles the holder, on exercise, to one Share
- All Shares issued on the exercise of the Options will rank pari passu in all respects with the Company's existing issued Shares.
- The Company will not apply to ASX for official quotation of the Options.
- The Company will apply for quotation by ASX of all Shares issued upon the exercise of the Options.
- An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- In the event of any reconstruction of the issued capital of the Company prior to the expiry date, all rights of the Option holder will be varied in accordance with the ASX Listing Rules.
- The Options will vest immediately upon issue and no restrictions will be placed on the exercise of the Options.

Directors Recommendations

Resolution 8

Alan Chalmers' fellow Directors Campbell Corfe, Matthew Costello, Carlos Perez and Ilkka Tales do not have a personal interest in resolution 8 and recommend that non-associated shareholders vote in favour of resolution 8. The issue of 1,500,000 Options to Mr. Chalmers provides incentive based remuneration which will further encourage and reward his efforts to improve the financial performance and share price of the Company to the commercial benefit of all Shareholders. Mr. Chalmers declines to make a recommendation to Shareholders in relation to Resolution 8 due to a conflict of interest.

Resolution 9

Hostech Directors Campbell Corfe, Matthew Costello, Carlos Perez, Ilkka Tales and Alan Chalmers do not have a personal interest in resolution 9 and recommend that non-associated shareholders vote in favour of resolution 9. The issue of 1,500,000 Options to Mr. McAllister provides an incentive based form of remuneration which will further encourage and reward his efforts to improve the financial performance and share price of the Company to the commercial benefit of all Shareholders. Mr. McAllister declines to make a recommendation to Shareholders in relation to Resolution 9 due to a conflict of interest.

Resolution 10 – Approve the giving of financial assistance

This Explanatory Statement is given to Shareholders for the purposes of section 260B(4) of the Corporations Act. It contains all the information known to the Company that is material to the decision on how to vote on resolution 10.

Background

Any Convertible Notes issued to Peter Kazacos and Vicki Kazacos pursuant to resolution 4 are debt obligations of the Company. It is proposed that the Convertible Notes and the Company's obligations in respect of the Convertible Notes, are to be secured by a fixed and floating charge over the Company's assets in favour of Noteholders.

By providing a fixed and floating charge over the Company's assets in respect of the Convertible Notes, the Company is providing financial assistance to Noteholders in relation to the acquisition by them of Shares which would be issued upon conversion of the Convertible Notes.

Under Part 2J.3 of the Corporations Act, such actions on behalf of the Company may constitute financial assistance. Accordingly, the Company is seeking the approval of Shareholders under section 260B of the Corporations Act to authorise the giving of financial assistance by the Company in the form described in this Explanatory Statement.

Sections 260A and 260B of the Corporations Act

Under section 260A of the Corporations Act, a company may financially assist a person to acquire shares in a company only if (relevantly) the assistance is approved by shareholders under section 260B.

Particulars of the financial assistance

Financial assistance will be given by way of the Company providing a fixed and floating charge over the Company's assets in favour of Noteholders as security for the Convertible Notes. The Charge will provide the Noteholders with security for the amount of the face value of the Convertible Notes issued (being \$3,400,000) plus any interest payable on the Convertible Notes (if any)..

The Charge will be granted upon issue of the Convertible Notes to the Noteholders. Subject to the passing of resolutions 3 and 10 the Convertible Notes will be issued and the Charge will be granted within 3 months from the date of the meeting.

Reasons for the proposed financial assistance

Subject to the passing of resolution 3, the Company will issue Peter Kazacos and Vicki Kazacos 3,400,000 Convertible Notes as part consideration for the acquisition of Anittel. The acquisition of Anittel will add scale and improve the financial performance of the Company. The Company has agreed to provide security by way of the Charge to protect the Noteholders against certain potential losses arising from their investment in the Convertible Notes.

The Company will benefit from the provision of the financial assistance as the provision of such assistance will allow the Company to acquire Anittel and thus improve the financial performance of the Company.

Effect of giving the financial assistance

In the event the Noteholders become entitled to enforce rights under the Charge, the enforcement will enable to the Noteholders to procure the sale of the Company's assets. The Directors do not currently have any reason to believe that the Company is likely to default on its obligations under the terms and conditions of the Convertible Notes.

Recommendation of Directors

No Directors have a personal interest in resolution 10, except in their capacity as Shareholders.

The Directors are of the opinion that the granting of the Charge is in the best interests of the Company.

The Directors unanimously recommend that Shareholders vote in favour of resolution 10.

Notice to ASIC

In accordance with section 260B(5) of the Corporations Act a copy of this notice of general meeting was lodged with ASIC before being sent to Shareholders.

GLOSSARY

The following terms have these meanings when used in this document:

Accord or Accord Technologies means Accord Technologies (WA) Pty Ltd (ACN 095 403 133)

AEST means Australian Eastern Standard Time

Agreements means the Subscription Agreement and the Convertible Note Deed Poll entered into by the Company and Flaxton Hunter on 13 March 2009

Anittel means Anittel Limited ACN 095 403 133)

ASIC means the Australian Securities and Investments Commission

Aspirence means Aspirence Pty Ltd (ACN 108 995 062)

ASX means ASX Limited

ASX Listing Rules means the listing rules of ASX

Axxis Technology means Axxis Technology Pty Ltd (ACN 061 168 778)

Board means the board of directors of the Company

Charge means the proposed fixed and floating charge over the assets of the Company

Company or Hostech means Hostech Limited (ABN 98 009 805 298)

Convertible Note or Note means a secured interest bearing note issued by the Company convertible into Shares and issued in accordance with the terms and conditions set out in the Explanatory Statement and Annexure C.

Convertible Note Deed Poll means the convertible note deed poll entered into by the Company and Flaxton Hunter on 13 March 2009

Corporations Act means Corporations Act 2001 (Cth)

Director means a current director of the Company

Explanatory Statement means the explanatory statement to this notice of general meeting

5Star Telecom means 5Star Telecom Pty Ltd

Flaxton Hunter means Flaxton Hunter Pty Ltd (ACN 126 948 034)

Noteholder means a registered holder of a Convertible Note

OfficeLink Plus or OfficeLink+ means OfficeLink Plus Pty Ltd

Option means an option to subscribe for a Share in the Company

Subscription Agreement means the subscription agreement entered into by the Company and Flaxton Hunter on 13 March 2009

Share means a fully paid ordinary share in the capital of the Company

Shareholder means a holder of Shares

In this notice of meeting, words importing the singular include the plural and vice versa.

Annexure A

Proposed Capital Structure of Hostech

This section sets out the capital structure of Hostech assuming resolutions 3 to 10 are passed by Shareholders.

Shares on Issue

Event	Shares issued	Total Shares on Issue
Shares on Issue at 23 February 2010	-	598,216,942
Acquisition of Anittel (Resolution 3)	187,500,000	785,716,942
Acquisition of Axxis Technology (Resolution 4)	17,857,143	803,574,085
Acquisition of Aspirence (Resolution 5)	3,571,429	807,145,514
Acquisition of Accord (Resolution 6)	96,000,000	903,145,514
On issue at completion of the four acquisitions	-	<u>903,145,514</u>

Options on Issue

Number of Options	Exercise Price	Expiry Date
250,000,000	\$0.01	22/6/2014
1,250,000	\$0.01	1/3/2012
5,125,000	\$0.013	31/11/2011
404,041	\$0.1725	12/9/2011
329,326	\$0.0995	27/11/2010
550,000	\$0.028	26/6/2011
550,000	\$0.03	24/4/2011
750,000 (Resolution 8)	\$0.03	31/3/2015
2,250,000 (Resolution 8&9)	\$0.05	31/3/2015

Total Options on Issue: 261,208,367

Convertible Notes on Issue

Convertible Notes on issue	Combined Face Value	Conversion Price	Shares issued if Converted
100,000	\$100,000	\$0.125	800,000
10,000	\$10,000	\$0.125	80,000
3,400,000 (Resolution 3)	\$3,400,000	\$0.02	170,000,000
Up to 10,000,000 (Resolution 7)	Up to \$10,000,000	\$0.02	Up to 500,000,000
Total:			
Up to 13,510,000	Up to \$13,510,000		Up to 670,880,000

Fully Diluted Share Capital

Fully diluted share capital as at 23 February 2010	857,305,309
Fully diluted share capital if resolutions 3 to 10 are passed	Up to 1,835,233,881

Annexure B

Pro Forma Balance Sheet

ASSETS	\$
Current Assets	
Cash and cash equivalents	4,107,519
Trade and other receivables	6,510,870
Other assets	2,834,272
Total Current Assets	13,452,661
Non-Current Assets	
Trade and other receivables	229,164
Property, Plant & Equipment	1,985,212
Intangible assets and goodwill	24,449,395
Total Non-Current Assets	26,663,771
TOTAL ASSETS	40,116,432
LIABILITIES	
Current Liabilities	
Trade and other payables	9,422,605
Interest-bearing loans and borrowings	188,997
Provisions	2,556,535
Convertible Note	204,985
Total Current Liabilities	12,373,122
Non-Current Liabilities	
Provisions - long service leave	64,240
Interest-bearing loans and borrowings	9,036,739
Total Non Current Liabilities	9,100,979
TOTAL LIABILITIES	21,474,101
NET ASSETS	18,642,331
EQUITY	
Ordinary Shares	54,221,436
Convertible notes	5,015
Opening Accumulated Losses	(33,524,513)
NET PROFIT / (LOSS)	(2,059,607)
TOTAL EQUITY	18,642,331

Annexure C

Summary of terms and conditions of the Convertible Notes

The following terms have these meanings when used in this annexure:

ASIC means the Australian Securities and Investments Commission

ASX means ASX Limited

ASX Listing Rules means the listing rules of ASX

Company means Hostech Limited ABN 98 009 805 298

Convertible Note or **Note** means a secured interest bearing note issued by the Company convertible into Shares and issued in accordance with the terms and conditions set out below.

Corporations Act means Corporations Act 2001 (Cth)

Face Value means \$1

Maturity Date means 5 years from the date of issue of a Convertible Note

Noteholder means a registered holder of a Convertible Note

Share means a fully paid ordinary share in the capital of the Company

A summary of the terms and conditions of the Convertible Notes is set out below:

Principal Amount:	\$3,400,000 (Resolution 3) Up to \$10,000,000 (Resolution 7)
Issue Price and Face Value of Convertible Notes:	The issue price and face value of each Note is AUD\$1.00.
Number of shares to be issued on conversion:	50 new Shares per Note at a conversion or issue price of \$0.02 per Share plus 50 new Shares for each \$1.00 of interest that is unpaid and capitalised at the date of conversion (where the note holder elects to receive this amount in Shares rather than cash).
Interest Rate:	7% per annum payable quarterly in arrears.
Capitalisation of Interest:	Outstanding interest will be capitalised and accrue interest of 7% per annum from the due date until it is paid.
Issue Date of Convertible Notes:	Within 1 month from the date of the General Meeting.
Last date for Conversion:	5 years from the issue date, which is the "Maturity Date".
Security:	Convertible Notes and any outstanding interest on the Notes will be secured by a fixed and floating charge over the assets of the Company

Notice of Conversion

The Noteholder has the right to convert any or all of its Notes (at any time prior to the Maturity Date) into Shares at an issue price of \$0.02 per Share.

Conversion

Each Share issued upon conversion of the Notes will rank equally with the Shares existing at the date of conversion. Any conversion of Notes into Shares will be subject to and undertaken in accordance with the provisions of the Corporations Act and the ASX Listing Rules.

Redemption

The Noteholder has the right at any time on or after the Maturity Date to redeem all or any of the Notes held by the Noteholder at the Face Value of the Notes.

Reorganisation of Capital

If, while any Note remains capable of being converted, there is a reorganisation of the issued capital of the Company, the number of Shares a Noteholder is entitled to on the conversion of a Note will be adjusted so that the Notes are convertible into the same percentage of the issued ordinary share capital as the percentage into which they are convertible immediately prior to the relevant reorganisation event.

Transferability

The Noteholder may transfer by way of instrument of transfer, assignment or novation all of its rights, benefits or obligations under this document to any third party.

HOSTECH LIMITED PROXY FORM FOR 2010 GENERAL MEETING

I/We _____

of _____

being a member/s of Hostech Limited and entitled to attend and vote at the General Meeting hereby appoint:

of _____

or failing the person named, or if no person is named, the Chairman of the General Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Hostech Limited to be held at the **North Sydney Harbour View Hotel, 17 Blue Street, North Sydney, New South Wales 2060** on **Tuesday 30 March, 2010 at 2:00 p.m.** and at any adjournment of that meeting.

If 2 proxies are being appointed the proportion of voting rights this proxy is authorised to exercise is%. (The Company will supply an additional form on request).

		For	Against	Abstain
Resolution 1	Approve the previous issue of 45,000,000 Shares for the acquisition of the assets of 5Star Telecom Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approve the previous issue of 32,500,000 Shares for the acquisition of the assets of OfficeLink Plus Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approve the issue of up to 187,500,000 Shares and 3,400,000 Convertible Notes for the acquisition of Anittel Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approve the issue of up to 17,857,143 Shares for the acquisition of Axxis Technology Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approve the issue of up to 3,571,429 Shares for the acquisition of the assets of Aspience Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approve the issue of up to 96,000,000 Shares for the acquisition of Accord Technologies (WA) Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approve the issue of up to 10,000,000 Convertible Notes to Flaxton Hunter Pty Ltd or its nominees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approve the issue of 1,500,000 Options to Alan Chalmers or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approve the issue of 1,500,000 Options to Steve McAllister or his nominee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Approve the giving of financial assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman intends to vote all undirected proxies in favour of all resolutions.

If you do not wish to direct your proxy on how to vote, please tick the box:

By ticking this box, I/We acknowledge that the Chairman may exercise my/our proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

Signature of Member(s): Date:

Individual or Member 1	Member 2	Member 3
<div style="border: 1px solid black; height: 30px; width: 100%;"></div>	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>
Sole Director/Company Secretary	Director	Director/Company Secretary

Contact Name:Contact Ph (daytime):

PROXY INSTRUCTIONS

A member entitled to attend and vote at a meeting is entitled to appoint up to two proxies to attend the General Meeting and vote on a poll. If more than one proxy is appointed then neither proxy can vote on a show of hands.

Where more than 1 proxy is appointed, each proxy may be appointed to represent a specific portion of the member’s voting rights. If the appointments do not specify the percentage of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

A proxy need not be a member of the Company.

A proxy form must be signed by the member or his or her attorney. If a proxy form is signed under a power of attorney, an original or certified copy of the power of attorney must be lodged with the proxy form, unless the power of attorney has been previously lodged with the Company. Proxies given by corporations must either be signed under seal or under the hand of a duly authorised officer of attorney.

If a representative of a corporation is to attend the meeting the appropriate “Certificate of Appointment of Corporate Representative” should be produced prior to admission. A form of the certificate may be obtained from the Company or Computershare Investor Services Pty Limited.

To be valid, the proxy form (and any Power of Attorney or other authority under which it is signed) must be lodged at the address or fax number below **NO LATER THAN 2:00 PM ON 28 MARCH 2010**. Any proxy form received after that time will not be valid for the scheduled meeting.

The Company Secretary
Hostech Limited
71 Thistlethwaite Street
SOUTH MELBOURNE VIC 3205

Fax: +61 (0)3 9698 7878