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ASX Announcement

Hostech steps up expansion plans with four acquisitions

Wednesday 10th February, 2010: In a major IT & T sector consolidation: Hostech Limited (ASX: "HTC") advises that it has entered into agreements, subject to shareholder approval, to purchase 4 leading IT and Telecommunications businesses that will add over \$60m (annualised) in revenue to HTC.

HTC will acquire the shares of Anittel Limited, an IT services business co-founded by Peter Kazacos, and independent businesses Accord Technologies and Axxis Pty Ltd, both leading IT services business in their respective locations of Perth and Dubbo. HTC will also acquire the assets and business of Aspirence Pty Ltd a NSW regional IT services business.

As a part of the transaction Peter Kazacos, founder of IT service company KAZ, and Mark Stead, Anittel CEO, will join the Hostech Board. In addition to their appointment we are delighted to announce the appointment of senior Telstra executive Steve McAllister to the HTC board as a non-executive director.

HTC will pay a total consideration for the four companies of \$6.9 million in cash and \$6.75m (304,928,571) in shares whilst taking on \$3.4 million in debt through a convertible note. An EGM will be held to approve the transaction by shareholders on approval by the ASX of the documentation for a transaction of this nature.

Consistent with previous announcements, HTC continues to pursue its strategy of growth through acquisition with the support of Flaxton Hunter (FH). HTC has submitted a request to FH to draw down up to \$10,000,000 under the terms of the Convertible Note Deed Poll entered into in March 2009 to fund the transaction. As a demonstration of its support and enthusiasm for the deal, FH have also committed 50,000,000 of its options to shareholders of the acquirees and has returned another 52,500,000 options to HTC to be used as a part of an employee and executive shares and options incentive scheme.

Justyn Stedwell

Company Secretary

On behalf of the Board of Directors

Hostech Limited

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