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30 April 2010

ASX Announcement
Appendix 4C

The Directors of the Board of Hostech Limited ("Hostech") present the attached Appendix 4C for the Quarter ended 31 March 2010. The results reflect a business that has completed the acquisitions and integration of 5Star Telecom and OfficeLink Plus businesses into Hostech. Cash receipts from customers increased 73% for the quarter to \$2.6M.

Operating cash flow improved by \$94k for the quarter, from negative \$514k to negative \$420k. This cash outflow includes one off costs in redundancies, consultants and legal fees of \$100k and costs incurred on the 4 acquisitions completed in April. The Board and the management team continue to extract synergies within the existing operations and are focused on growing the business to scale.

Investing cash outflows of \$413k related to the payment and completion of the acquisitions of the assets of 5Star Telecom and OfficeLink Plus.

Cash flow relating to financing activity was positive \$151k primarily driven by \$196k in refunds from bank guarantees released by the majority of Hostech suppliers.

The closing cash balance was \$411k for the quarter. However, during the month of April, Hostech has:

- Recapitalized with a \$8.58m fund raising
- Completed the acquisitions of Anittel, Aspirence and Accord
- Commenced the process of integrating our expanded team of 260 people across 15 locations serving the IT and telephony needs of small to medium businesses across Australia

The Board is excited about the future of the Group and the continued implementation of its strategic plans.

Justyn Stedwell
Company Secretary
On behalf of the Board of Directors
Hostech Limited

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Hostech Limited

ABN

98 009 805 298

Quarter ended ("current quarter")

31 March 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	2,619	5,289
1.2 Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(731)	(1,997)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	5	31
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research & Development Grant		
Net operating cash flows	(420)	(1,706)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(420)	(1,706)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5) , net of cash acquired		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(16)	(20)
(e) other non-current assets	(397)	(397)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities	(16)	(200)
1.12 Loans repaid by other entities	16	185
1.13 Other		
Net investing cash flows	(413)	(432)
1.14 Total operating and investing cash flows	(833)	(2,138)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	47	547
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings	(92)	(92)
1.19 Dividends paid		
1.20 Other	196	194
Net financing cash flows	151	649
Net increase (decrease) in cash held	(682)	(1,489)
1.21 Cash at beginning of quarter/year to date	1,093	1,900
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	411	411

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	111
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions Payment of Directors' fees & reimbursements for the quarter ended 31 Mar 2010	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities (bank overdraft)	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	411	1,093
4.2 Deposits at call		
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	411	1,093

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal (i)		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 30/04/10

Print name:

Justyn Stedwell
 Company Secretary
 On behalf of the Board of Directors
 Hostech Limited

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.