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20 March 2009

ASX Announcement

\$17,500,000 Convertible Note Facility – Additional Information

On 16 March 2009 Hostech Limited ('Hostech' or 'the Company') announced that it had entered into binding agreements with a private investment company, Flaxton Hunter Pty Ltd ('Flaxton Hunter') to secure an investment of up to \$22,500,000.

Subject to shareholder approval an initial investment of \$2,500,000 will be made by Flaxton Hunter in newly issued Hostech ordinary shares at 1 cent per share, options will also be issued which if all exercised would raise an additional \$2,500,000. In addition Flaxton Hunter has agreed to provide Hostech a convertible note facility of up to \$17,500,000 ('the Facility').

The Company has requested an initial draw down of the Facility of \$500,000 which will occur within 3 months of the date of shareholder approval at the forthcoming general meeting. Subject to such shareholder approval at the general meeting of shareholders on 21 April 2009 the Company will issue Flaxton Hunter or its nominees 500,000 convertible notes with a face value of \$1 per note, each note is convertible into 50 Hostech shares at an effective issue or conversion price of 2 cents. The Company only pays interest on the convertible notes that have been issued. A summary of the terms and conditions of the convertible notes is attached. The terms and conditions apply to all convertible notes issued under the Facility.

The remaining \$17,000,000 of the Facility may be drawn down by request of the Company to Flaxton Hunter to finance future acquisitions (and approval by Flaxton Hunter will not be unreasonably withheld). The Company may exercise its right to request a drawdown of the Facility at any time prior to 13 March 2014. Where required under the Listing Rules and Corporations Act, shareholder approval will be sought for future issues of convertible notes under the Facility.

The Facility provides the Company with the opportunity to fund future acquisitions. However, the Company has no obligation to use the Facility and will consider alternative financing to ensure it is utilising the most appropriate sources of finance.

Justyn Stedwell

Company Secretary

On behalf of the Board of Directors

Hostech Limited

Summary of terms and conditions of the Convertible Notes

Glossary

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

Flaxton Hunter means Flaxton Hunter Pty Ltd ACN 126 948 034

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:

Noteholder:	Flaxton Hunter or its nominees
Principal Amount:	Up to \$17,500,000
Issue Price and Face Value of Convertible Notes:	The issue price and face value of each Note is AUD\$1.00 and will be payable in full by Flaxton Hunter or its nominee on application.
Maximum number of shares to be issued on conversion:	Up to 875,000,000 new Shares 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.
Last date for Conversion:	5 years from the issue date, which is the "Maturity Date".
Security:	Subject to the Condition Precent Convertible Notes and any outstanding interest on the Notes will be secured by a fixed and floating charge over the assets of the Company.
Condition Precedent:	Issue of the Notes will be subject to shareholder approval, including approval of financial assistance given by Hostech by way of the security for the Notes.
Issue:	On the date of issue, the Company must issue the Notes to Flaxton Hunter or its nominee and the Holderholder must pay \$1.00 for each Note. Any issue of Notes will be subject to and undertaken in accordance with the provisions of the Corporations Act and the ASX Listing Rules.
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.
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