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Hostech steps up expansion plans

For immediate release Wednesday 10th February, 2010:

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

HTC will acquire the shares of Anittel Limited, an IT services business founded by Peter Kazacos, Mark Stead, Steve Lombardo and Conrad Hilder. In addition, HTC will acquire three independent businesses; Accord Technologies, AXXIS Pty Ltd and Aspirence Pty Ltd, all leading IT service providers in their respective locations.

These transactions represent a major strategic milestone in the transformation of HTC into an IT and Telecommunication service provider, to small and medium businesses around Australia. These acquisitions complement the existing HTC business including the two acquisitions announced in December 2009. Accord, Aspirence and AXXIS have been working together with Anittel to build a significant regional footprint in Australia.

As a part of the transaction Peter Kazacos, and Mark Stead will join the existing Hostech Board. Peter will become Executive Chairman of the new group.

In addition the group is delighted to announce the appointment of Telstra Executive Director, Steve McAllister to the HTC Board as a non-executive director. Steve has been working closely with Anittel and will bring an invaluable combination of telecommunications and IT services experience to the Board on completion of this transaction.

"These transactions will add scale to our existing portfolio of assets servicing small to medium businesses," said Hostech Chairman, **Campbell Corfe**; "Strategically we are aligned with Peter Kazacos and his team and I am delighted to have Peter, Steve and Mark join our Board, on our continuing path to build this company into a significant player in this sector."

"There is currently a convergence of the information, technology and telecommunications services sector from which is evolving a new kind of company providing much needed, combined, IT&T services. We will be this company." **Peter Kazacos** Executive Chairman of Anittel said; "The aggregation of these groups is a logical next step in this evolution."

Peter continued; "We are not only focused on the capital cities. Regional Australia has been under-serviced in this sector. Our expanded group will enhance the services provided to all of Australia."

On completion of this transaction, HTC will have two business divisions; **IT services**, comprising annuity revenue and product sales and a **telecommunications division** delivering a full suite of voice and data, products and services. The combined group will have 270 staff in 15 locations around Australia.

The senior management of Hostech and Anittel, led by Peter Kazacos, will spear-head the integration of the group in the coming months.

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.

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 April 2009. 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.

Anittel's expansion continues - www.anittel.com.au

Anittel is a national, full-service, IT and Telecommunications services company focusing on small, medium and regional enterprises with over \$40 million in annualised revenue. Founded in 2007 with significant investment and acquisitions in the past 2 years, it has the infrastructure and management to leverage the next stage of its growth.

Accord grows in WA market by merging services with Anittel - www.accord.com.au

Established in 1994, Accord Technologies Pty Ltd is a Western Australian Quality Assured IT solutions provider servicing the corporate, education and government sectors. Accord is a service-oriented company specialising in the provision of IT management and consulting services, supply and installation of IT solutions, specialist procurement services, systems support, managed services, VOIP and PABX systems, internet access solutions, hosting and disaster recovery services.

"Our newly expanded group will bring even greater depth to Accord's service, support and technology offerings whilst focusing on our number one priority and passion for service excellence," commented Mike Ford, Managing Director.

AXXIS expands its award winning IT business : - www.AXXIS.com

Formed in 1989, and multiple award winner, AXXIS 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. AXXIS was named as the Best IT Business in Australia at the national Small Business Champions Awards in 2008.

"The regional IT&T business in Australia can now be better serviced by our expanded offerings now that we are part of the group led by Hostech and Peter Kazacos" said Mathew Dickerson.

Aspirence becomes full service IT&T : - www.aspirence.com.au

Aspirence are Regional leaders in computer network integration servicing businesses in Southern NSW and North East Victoria.

“More and more we are seeing the integration of telephony products with computer resources. With this merger we can provide a full suite of products to our customers”, said Mark Illott, Technical Director. “The change means that Aspirence will now be able to access resources and solutions on a national scale for their customers, and provide these at competitive prices at the local level.”

“We now have the resources and backing of a full service, national company and the solutions and services will be delivered by same local team,” continued Mark.

About Hostech:

Hostech is playing a pivotal role in the aggregation and integration of full service regional IT and Telecommunications businesses serving small to medium enterprises. In December 2009 Hostech acquired the businesses of 5 Star Telecom and Officelink+ adding breadth to its Sholl and OneNetWork brands. The four acquisitions announced today expand the regional focus of the business and significantly add to the customer base we serve.

Peter Kazacos Bio: is a co-founder and chairman of Anittel having spent 3 years building the company into one of Australia’s leading IT&C service providers operating outside the major metropolitan areas. Mr Kazacos was the founder of listed IT service provider KAZ, which was sold to Telstra in 2004 for c.\$333 million. Mr Kazacos is the Chairman of AMT:ASX and director of the following industry boards; Australian Information Industry Association, UNSW Centre of Innovation and Entrepreneurship Advisory Board and CSIRO ICS Sector Advisory Council.

Steve McAllister Bio: is the Executive Director of Sales within Telstra, responsible for all of Telstra Business' Account Managed sales force on a national scale. Over 20 years experience in the United States and Australia with Andataco, Gateway Computers, and Autodesk.

Mark Stead Bio: Co-founder of Anittel, Mark has 13 years experience at senior levels across a range of industries in USA, Canada, Mexico and throughout Asia. Mark was previously GM of Corporate Business Development for the combined Services Solutions Group and KAZ within Telstra. As Chief Executive Officer of Anittel, Mark has been instrumental in driving its growth strategy and development. Mark has a Bachelor of Laws with Second Class Honours from the University of Sydney, Bachelor of Economics with First Class Honours and Bachelor of Commerce from James Cook University.

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