



APPENDIX 4C COMMENTARY

30 JUNE 2013

Operations

Existing Business

The Company's Webphone networks operating in Australia and New Zealand are operating well with limited outages. There have been ongoing discussions with existing customers in relation to the existing networks to improve profitability and to identify new opportunities for deployment of the technology.

The Company has received a number of enquiries for Webphones from potential international customers and has progressed discussions with interested parties. The company has signed a Memorandum of Understanding with a European based equipment manufacturer to investigate opportunities in Europe and South America.

None of those enquiries has yet led to formal requests for quotation, but customers remain interested and have sought additional information.

Alternative Business Opportunities

In the last quarter the Company has continued its measured and considered approach to reviewing a number of opportunities both locally and internationally for addition to and expansion of the Company's business.

The Board believes that it can identify an opportunity compliment the Company's current business and which will provide shareholders with value.

Quarterly Financials

During the quarter there was a net cash outflow from operating activities of \$226K (vs an outflow of \$200K the preceding quarter).

The Company had \$1,500k in cash at the end of the quarter with a further \$130k held in trust pending shareholder approval for the balance of the placement shares.

Corporate

Section 249D Notice

Subsequent to the end of the Quarter the Company received a section 249D Notice requisitioning a general meeting for the removal of two of the Directors and the appointment of a nominee. Receipt of the Notice was disclosed to shareholders, the Company has today advised the market that the Notice has been withdrawn.

Peter Gunzburg

Chairman

31 July, 2013

Appendix 4C

Quarterly report For entities admitted On the basis of commitments

Introduced 31/3/2000, Amended 30/09/2001, 24/10/2005, 17/12/2010

Name of entity

pieNETWORKS Limited

ABN

27 078 661 444

Quarter ended ("current quarter")

30 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities

- 1.1 Receipts from customers
- 1.2 Payments for
 - (a) (i) administrative staff costs
 - (a) (ii) technology staff costs (note 1)
 - (a) (iii) sales and marketing staff costs
 - (b) advertising and marketing
 - (c) research and development
(note 1)
 - (d) leased assets
 - (e) other working capital
- 1.3 Dividends received
- 1.4 Interest and other items of a similar nature received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid
- 1.7 Other – Tax Rebate

Current quarter \$A'000	Year to date (12 months) \$A'000
119	586
(91)	(329)
(79)	(324)
-	-
-	-
(21)	(112)
(165)	(885)
11	33
-	458
(226)	(573)

Net operating cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(226)	(573)
Cash flows related to investing activities		
1.9 Payment for acquisition of: (a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d)(i) physical non-current assets		
(e) other non-current assets	-	(40)
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	-	(50)
1.12 Loans repaid by other entities		
1.13 Other		
Net investing cash flows	-	(90)
1.14 Total operating and investing cash flows	(226)	(663)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	1,580
1.16 Proceeds from the sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other - equity raising costs	(51)	(51)
Net financing cash flows	(51)	1,529
Net increase (decrease) in cash held	(277)	866
1.21 Cash at beginning of quarter/year to date	1,770	624
1.22 Exchange rate adjustments to item 1.20	7	10
1.23 Cash at end of quarter	1,500	1,500

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	44
1.25 Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount Available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements	119	-

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	50	421
4.2	Deposits at call	1,331	1,236
4.3	Bank overdraft		
4.4	Other -Term Deposits	* 119	113
Total: cash at end of quarter (item 1.23)		1,500	1,770

* Note this amount forms security for Bank Guarantee's relating to a portion of the NZ Webphone network.

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	
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 Law (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: 31 July 2013
Company Secretary

Print name: Mark Pitts

Notes

1. Research & Development represents those costs associated with R&D activities other than personnel costs. For the purposes of the Appendix 4C the personnel component of R&D expenditure has been disclosed at item 1.2 (a)(ii) – Technology Staff Costs. R&D expenditure (and Technology Staff costs) has been classified as a cash flow from an operating activity in the current period.
2. Commentary on the cashflow for the period is included in the accompanying update and accordingly the Appendix 4C should be read in conjunction with that report.
3. *Preparation:*
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.

The definitions in, and provisions of, *AASB 107: Cash Flow Statements* apply to this report except for the paragraphs of the Standard set out below.

- 20.1 reconciliation of cash flows arising from operating activities to operating profit or loss.
- 51 itemised disclosure relating to maintaining operating capacity
- 52 itemised disclosure relating to segment reporting