



NON-BINDING TERM SHEET – PROPOSED ACQUISITION OF NEWZULU LIMITED



Highlights

- PieNetworks announces proposed acquisition of Newzulu, one of the world's leading crowd-sourced news and freelance journalism platforms
- 15% placement completed, raising approximately \$400,000
- Appointment of a new director

PieNetworks Limited (ASX: PIE) (**Company** or **PieNetworks**) is pleased to announce that it has entered into a non-binding term sheet (**Term Sheet**) with Newzulu Limited (**Newzulu**). Under the Term Sheet, and subject to the agreement of formal documentation and the satisfaction of certain conditions precedent (including the completion of due diligence), the Company proposes to acquire 100% of Newzulu by the issue of PieNetworks shares to Newzulu shareholders (**Potential Acquisition**).

Shareholders should note that this does not constitute an announcement or public proposal by the Company that the Company will acquire or make a binding proposal to acquire Newzulu and there is no guarantee that a formal agreement in respect to the Potential Acquisition will be concluded.

Placement

The Company is also pleased to announce that it has completed a placement to a sophisticated investor of 10,216,588 fully paid ordinary shares in the capital of the Company (**Shares**) at \$0.04 per Share to raise \$408,663 (before costs) (**Placement**). The Placement is being made in accordance with the Company's listing rule 7.1 placement capacity, the funds raised will be utilised for working capital purposes and to cover transaction costs in respect to the Potential Acquisition.

Board Changes

In addition to the above matters, the Company also announces the appointment of Mr Phil Kiely as a director of the Company. The Chairman of the Company, Mr Peter Gunzburg, commented that "the Board was pleased to have attracted someone of Mr Kiely's calibre." Refer below for details of Mr Kiely's qualifications and experience.

Mr Bill Zikou has advised that he wishes to resign as a director of the Company effective close of business on Friday, 4 April 2014. The Company would like to extend its gratitude to Mr Zikou for his contributions to the Company and wishes him every success in his future endeavours.

Overview of Newzulu

Newzulu is one of the world's leading crowd-sourced news and freelance journalism platforms which operates in partnership with Agence France-Presse, the Press Association in the UK & Ireland and Australian Associated Press in Australia and New Zealand.

Newzulu was founded in 2007 as Citizenside.com to network citizen journalist contributors worldwide. It now has a wide network of citizen journalist contributors across the globe. Newzulu acts as a platform for the distribution of news, photos, videos and opinion through its online sales platform and in partnership with international and regional news wires. Headquartered in Paris, Newzulu operates bureaus in London, New York, Los Angeles, Montreal, Sydney and Auckland, providing its crowd-sourced news feed and citizen journalism platform and editorial services to thousands of editorial and commercial clients globally (see www.newzulu.com).

Both PieNetworks and Newzulu focus fundamentally on the collection and dissemination of information online and (in the case of PieNetworks) through physical networks. Newzulu has the potential to enhance PieNetworks' kiosks to become richer media collection and distribution points. PieNetworks may provide Newzulu with a unique edge in collecting media in regions that are otherwise often poorly networked and harder for other media groups to reach.

The Chairman of the Company, Mr Peter Gunzburg, stated that: "We have previously announced our intention to find a complimentary growth opportunity for PieNetworks. We believe that Newzulu is well placed to become the pre-eminent global force in crowd-sourced media content."

The Group Managing Director of Newzulu, Mr Alex Hartman, stated that: "Newzulu is facilitating the rapid global growth of freelance and citizen journalism. Newzulu provides leading publishers, broadcasters and commercial clients with the best crowd-sourced images and videos available from smartphones, the web and social media networks. The combination with PieNetworks will allow us to move more quickly to achieve our ambition of becoming the leading global freelance and crowd-sourced media platform."

Key Terms of the Potential Acquisition

The key terms of the Potential Acquisition set out in the Term Sheet are as follows:

- Consideration of up to a total of 178,230,977 Shares, comprised of:
 - 78,110,584 Shares on completion of the Potential Acquisition; and
 - up to 100,120,393 additional Shares subject to the achievement by Newzulu of certain milestones (to be agreed between the parties) (**Contingent Shares**).
- On completion of the Potential Acquisition, the Company will also issue 20,000,000 options exercisable at \$0.10 on or before 30 June 2017 to the Group Managing Director of Newzulu, Mr Alex Hartman.

- The Potential Acquisition is subject to and conditional upon the execution of formal binding documentation and the satisfaction (or waiver) of a number of conditions by 31 May 2014, including but not limited to:
 - the completion of due diligence by the Company and Newzulu on each the other;
 - the approval of the Company's shareholders for the Potential Acquisition in accordance with the requirements of the Corporations Act and the ASX Listing Rules;
 - the Company becoming entitled to acquire 100% of the issued capital of Newzulu as a result of each Newzulu shareholder accepting the offer from the Company;
 - Newzulu shareholders being satisfied that there has been no material adverse change to the business, operations or assets of the Company since the Term Sheet was executed; and
 - the Company completing a further placement to sophisticated and professional investors to raise \$3,000,000 through the issue of 75,000,000 Shares at \$0.04 per Share (**Subsequent Placement**).

On completion of the Potential Acquisition, Mr Alex Hartman, Group Managing Director of Newzulu, will be appointed as a director of the Company.

The parties have undertaken to use their best endeavours to enter into formal documentation in respect of the Potential Acquisition by no later than 9 April 2014.

The Term Sheet provides for a binding exclusivity period ending on 9 April 2014, during which time neither the Company nor Newzulu may undertake or enter into discussions to undertake a transaction similar to the Potential Acquisition.

ASX has provided written confirmation that ASX Listing Rule 11.1.3 does not apply to the Potential Acquisition on the terms and conditions set out in the Term Sheet.

Pro Forma Capital Structure

The pro forma capital structure of the Company post-completion of the Potential Acquisition is as follows:

| | Shares | Options |
|--|--------------------------------|-------------------------|
| Current securities on issue | 78,327,172 ¹ | 1,886,326 |
| Securities to be issued on completion of the Potential Acquisition | 78,110,584 | 20,000,000 ² |
| Contingent Shares | 100,120,393 ³ | - |
| Subsequent Placement | 75,000,000 ⁴ | - |
| Shares to be issued to advisers | 5,875,000 ⁵ | - |
| Total post-completion of the Potential Acquisition | 337,433,149⁶ | 21,886,326 |

Notes:

1. Includes 10,216,588 Shares issued under the Placement.

2. 20,000,000 options exercisable at \$0.10 on or before 30 June 2017 to be issued to the Group Managing Director of Newzulu, Mr Alex Hartman, on completion of the Potential Acquisition at an issue price of \$0.001 per option.
3. Up to 100,120,393 Contingent Shares to be issued upon the satisfaction of certain milestones to be agreed between the parties.
4. Assumes a price per Share under the Subsequent Placement of \$0.04.
5. If the Potential Acquisition is completed, a total of 5,875,000 Shares will be issued to advisers of the Company.
6. Assumes that the maximum number of Contingent Shares will be issued.

Board Appointment

As detailed above, Mr Phil Kiely has been appointed as a director of the Company.

Mr Kiely brings a wealth of experience to PieNetworks from over 30 years in the technology and digital media sectors in Australia and internationally. Phil Kiely's past roles include Vice President Oracle Online, Asia Pacific where he was responsible for developing the strategy and execution of Oracle's online activities in the region and Regional Managing Director of Oracle Corporation, Australasia. He has been a member of the Victorian Government IT Task Force, a founding Director of the IT Skills Hub, Chairman of the Commonwealth's Enterprise and Career Education Foundation and a member of the Review Committee into Teaching and Teacher Education. Phil is also a serial investor in early stage technology companies, and has a 2.5% shareholding in Newzulu.

SHAREHOLDERS SHOULD NOTE THAT THE TERM SHEET REFERRED TO ABOVE IS NON-BINDING AND INDICATIVE ONLY. THE ABOVE TERMS HAVE NOT BEEN FORMALLY AGREED AND REMAIN SUBJECT TO NEGOTIATION. THERE IS NO GUARANTEE THAT A FORMAL AGREEMENT IN RESPECT OF THE POTENTIAL ACQUISITION WILL BE CONCLUDED OR, IF SUCH FORMAL AGREEMENT IS CONCLUDED, THAT THE AFOREMENTIONED CONDITIONS PRECEDENT WILL BE SATISFIED.

Yours sincerely,



Mark Pitts
Director / Company Secretary