



APPENDIX 4C COMMENTARY
31 December 2010

During the quarter, the Company announced that it had commenced the deployment of a network of 50 pieNETWORKS' Hotspot Webphones for a 4 month, Australian market assessment with Telstra Corporation Limited. Subject to the success of the market assessment, pieNETWORKS and Telstra will negotiate the commercial terms for a large scale deployment of the Hotspot Webphones. Below is an excerpt from Telstra's December 23rd, 2010 media release about the market assessment.

"This exciting new product is not just about making phone calls. This technology recognises that we're all busy and want to access technology and content on the run," Telstra Corporate Affairs Manager, Jane de Gault said.

The installation of the Hotspot Webphones commenced in Darwin Airport and has been followed by installations at the Qantas Terminal in Perth, Melbourne Southern Cross Station and Tullamarine airport terminal, as part of a market assessment across a number of major airports and train stations across Australia.

"The feedback has been overwhelmingly positive. Really I would say it's exceeded our expectations. People say they like the large, easy to use, touch-screen and full size keyboard. People can browse the web, look at emails or photos, and at the same time talk on the phone or send texts. There is also a handful of free content available.

The product is Australian-made and developed by WA based supplier, Pie Networks Ltd, who has been very supportive and innovative in developing this product for the Australian public market," Ms de Gault said."

The Company had \$1,002,000 in cash at the end of the quarter and had a net cash outflow from operating activities of \$735,000 during the quarter.

The full Telstra media release is available at;

http://www.pienetworks.com/index.php/investors/announcements/cat_view/46-announcements/65-announcements-2010

Campbell Smith
Managing Director
31 January 2011

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Appendix 4C

Quarterly report For entities admitted On the basis of commitments

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

Name of entity

pieNETWORKS Limited

ABN

27 078 661 444

Quarter ended ("current quarter")

31 December 2010

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

Net operating cash flows

Current quarter \$A'000	Year to date (6 months) \$A'000
332	531
(130)	(281)
(172)	(320)
(95)	(184)
(85)	(136)
(181)	(345)
(660)	(1,024)
19	52
237	261
(735)	(1,446)

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(735)	(1,446)
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	(3)	(5)
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		
1.12 Loans repaid by other entities		
1.13 Other		
Net investing cash flows	(3)	(5)
1.14 Total operating and investing cash flows	(738)	(1,451)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.		1,000
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 - Interest paid and share placement fees		(56)
Net financing cash flows	-	944
Net increase (decrease) in cash held	(738)	(507)
1.21 Cash at beginning of quarter/year to date	1,740	1,517
1.22 Exchange rate adjustments to item 1.20	-	(8)
1.23 Cash at end of quarter	1,002	1,002

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	119
1.25 Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

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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.

	Amount Available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements	107	-

Reconciliation of cash

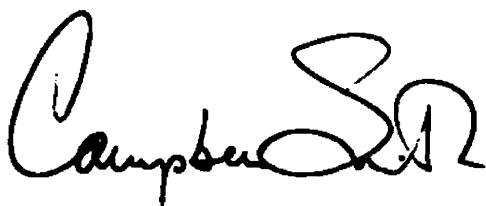
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	54	45
4.2	Deposits at call	328	1,081
4.3	Bank overdraft		
4.4	Other -Term Deposits	620	614
Total: cash at end of quarter (item 1.23)		1,002	1,740

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 January 2011
Managing Director

Print name: Campbell Smith

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)(iii) – 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