



APPENDIX 4C COMMENTARY

30 SEPTEMBER 2013

Operations

Existing Business

The company has made some progress on implementing the MOU signed with a European partner. Webphone equipment has been provided for demonstrations to a prospective customer and to familiarise the European partner engineering team with the technology.

The existing Webphone networks operating in Australia and New Zealand are operating well with limited outages.

Alternative Business Opportunities

The directors have continued to review 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 \$202K (vs an outflow of \$226K the preceding quarter). Directors have commenced further cost reviews and in addition have instituted a temporary freeze on remuneration for the Board from 1 November in an effort to conserve cash.

The Company had \$1,436k in cash at the end of the quarter.

Peter Gunzburg

Chairman

31 October, 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 September 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

Net operating cash flows

Current quarter \$A'000	Year to date (3 months) \$A'000
128	128
(99)	(99)
(70)	(70)
-	-
-	-
(18)	(18)
(153)	(153)
10	10
(202)	(202)

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(202)	(202)
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		
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	-	-
1.14 Total operating and investing cash flows	(202)	(202)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	130	130
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		
Net financing cash flows	130	130
Net increase (decrease) in cash held	(72)	(72)
1.21 Cash at beginning of quarter/year to date	1,500	1,500
1.22 Exchange rate adjustments to item 1.20	8	8
1.23 Cash at end of quarter	1,436	1,436

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	38
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

The Company issued 2,500,000 shares at a deemed 6 cents per share to consultants in consideration for services provided to the Company.

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	125	-

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	42	50
4.2	Deposits at call	1,269	1,331
4.3	Bank overdraft		
4.4	Other -Term Deposits	125	119
Total: cash at end of quarter (item 1.23)		1,436	1,500

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:
Company Secretary

Date: 31 October 2013

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