



APPENDIX 4C COMMENTARY

30 JUNE 2014

Highlights

- Agreement for the acquisition of Newzulu was executed, one of the world's leading crowd-sourced news and freelance journalism platforms.
- General Meeting called for 11 August 2014 to approve among other things the acquisition of Newzulu.



Newzulu

PieNetworks Limited (ASX: PIE) (**Company** or **PieNetworks**) announced on 16 May 2014 that it had entered into a binding agreement to acquire Newzulu Limited (**Newzulu**) with the majority shareholders of Newzulu. The agreement reflects the completion of due diligence and negotiations following the execution of a non-binding term sheet that was announced on 28 March 2014 (**Term Sheet**).

The Acquisition is subject to and conditional upon the satisfaction (or waiver) of a number of conditions, including but not limited to:

- the approval of the Company's shareholders for the Acquisition in accordance with the requirements of the Corporations Act and the ASX Listing Rules. This approval will be sought at a General Meeting of shareholders;
- the Company becoming entitled to acquire 100% of the issued capital of Newzulu by each minority shareholder of Newzulu accepting an offer by the Company to acquire their Newzulu shares;
- the Company being satisfied that there has been no material adverse change to the business, operations or assets of Newzulu prior to completion of the Acquisition;
- Newzulu shareholders being satisfied that there has been no material adverse change to the business, operations or assets of the Company prior to completion of the Acquisition; and



- the Company completing a placement to sophisticated and professional investors to raise \$3,000,000 through the issue of 75,000,000 Shares at \$0.04 per Share (Placement). The Placement is in turn conditional upon the completion of the Acquisition and to the approval of the Company's shareholders which will be sought at a General Meeting.

Shareholder approval will also be sought to change the name of the Company to Newzulu Limited.

Update on Newzulu

Newzulu is described as 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).

Developments at Newzulu during the quarter include:

- Agreement with Google's Media Innovation Fund to extend development of Newzulu's technology
- Long term global partnership agreement with France's national news agency Agence France Presse (AFP)
- Long term partnership agreement with the UK & Ireland's national news agency The Press Association (PA)
- Long term partnership agreement with Australia & New Zealand's national news agency Australian Associated Press (AAP) & NZ Newswire



General Meeting

The Company has sent a Notice of Meeting to all shareholders calling for a General Meeting to be held on Monday 11th August 2014 at 2pm.

Other Matters

There were no substantial changes to the Company's Webphone operations during the quarter.

Quarterly Financials

During the quarter there was a net cash outflow from operating activities of \$215K (vs an outflow of \$205K the preceding quarter).

The Company had \$1,341k in cash at the end of the quarter.

Peter Gunzburg

Chairman

31 July, 2014

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 2014

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 (12 months) \$A'000
114	451
(68)	(291)
(83)	(307)
-	-
-	-
(12)	(78)
(173)	(674)
7	32
-	55
(215)	(812)

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(215)	(812)
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	(215)	(812)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	539
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 - cash held in trust	100	100
Net financing cash flows	100	639
Net increase (decrease) in cash held	(115)	(173)
1.21 Cash at beginning of quarter/year to date	1,458	1,500
1.22 Exchange rate adjustments to item 1.20	(2)	14
1.23 Cash at end of quarter	1,341	1,341

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	17
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	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	147	519
4.2	Deposits at call	1,069	812
4.3	Bank overdraft		
4.4	Other -Term Deposits	125	127
Total: cash at end of quarter (item 1.23)		1,341	1,458

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 July 2014

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