

pieNETWORKS LIMITED

ACN 078 661 444

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting: **11 April 2008**
Time of Meeting: **10:30am (WST)**
Place of Meeting: **The offices of
pieNETWORKS Limited
75 Collingwood Street
Osborne Park WA 6017**

pieNETWORKS LIMITED

ABN 27 078 661 444

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of pieNETWORKS Limited ABN 27 078 661 444 will be held at the offices of the Company at 75 Collingwood Street, Osborne Park, Western Australia on Friday, 11 April 2008 at 10.30am (WST).

The Explanatory Memorandum which accompanies and forms part of this Notice of Meeting describes the various matters to be considered at the Meeting.

AGENDA

BUSINESS

1. Ratification of issue of placement shares

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, Shareholders ratify the issue of 38,727,000 Shares in the Company on the terms and conditions set out in the Explanatory Memorandum."

2. Approval of issue of placement shares

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes, shareholders approve the issue and allotment of up to 35,767,444 Shares in the Company on the terms and conditions set out in the Explanatory Memorandum, be approved."

3. Approval of issue of shares to Mr Peter Gunzburg

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

"That, for the purposes of Rule 10.11 of the Listing Rules of the Australian Stock Exchange Limited and all other purposes, the Directors of the Company be authorised to issue to Mr Peter Gunzburg, a director of the Company, or his nominee(s) not later than one month after the date of this meeting, up to 11,111,111 fully paid ordinary shares in the Company at an issue price of 1.8 cents per share, be approved."

4. Approval of grant of options and issue of shares under Incentive Plan

To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

"That for the purpose of Exception 9(b) of Listing Rule 7.2 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, shareholders approve the grant of options (and the issue of any shares upon exercise of those options) under the pieNETWORKS Limited Option Incentive Plan for a period of 3 years commencing on the date of this meeting."

BY ORDER OF THE BOARD



Craig Ferrier
Company Secretary
7 March 2008

GENERAL NOTES

EXPLANATORY MEMORANDUM

Shareholders are referred to the explanatory memorandum (including the defined terms therein) accompanying and forming part of this notice of meeting.

ENTITLEMENT TO VOTE

1 Snapshot date

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at close of business (5pm WST) on 9 **April 2008**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

2 Voting exclusions

In respect to resolution 1, the Company will, in accordance with Listing Rule 7.5.6, disregard any votes cast on this resolution by placees of Placement Shares and any associates of placees of Placement Shares.

In respect to resolution 2, the Company will, in accordance with Listing Rule 7.3.8, disregard any votes cast on resolution 2 by a person who may participate in the proposed issue and a person who may benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

The Company will, in accordance with Listing Rule 10.13.6, disregard any votes cast on resolution 3 by Peter Gunzburg or an associate of Peter Gunzburg.

The Company will, as required by Exception 9(b) to Listing Rule 7.2, disregard any votes cast on resolution 4 by a director of the Company excluded from voting (except one who is ineligible to participate in the incentive scheme in relation to the Company); and an associate of that person or those persons.

Notwithstanding the above, the Company will not disregard a vote if cast in the following circumstances:

- by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form;
- by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides; or
- by the nominee of a beneficial owner who has directed the nominee to vote for or against the resolution and the beneficial owner has confirmed to the nominee in writing that the beneficial owner is neither the (named) person (or a member of the class of persons) excluded from voting or an associate of the (named) person (or a member of the class of persons) excluded from voting.

3 Proxies

Members are advised that:

- each member has a right to appoint a proxy to attend and vote for them;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint either 1 or 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment is for 2 proxies and does not specify the proportion or number of votes each proxy may exercise, then, in accordance with section 249X(3) of the *Corporations Act*, each proxy may exercise half of the votes.

The member may specify the manner in which the proxy is to vote on each resolution or may allow the proxy to vote at his or her discretion.

In accordance with section 250BA of the *Corporations Act*, the Company specifies that the proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile

which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be:

- posted or delivered to the registered office of the Company at 75 Collingwood Street, Osborne Park, Western Australia 6017; or
- sent by facsimile to the Company on +61 8 9444 9022.

Those documents must be received by the Company at least 48 hours before the time for holding the Meeting (**by no later than 10.30am on 9 April 2008**), or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a body corporate, in a manner permitted by the *Corporations Act*. In the case of Shares jointly held by two or more persons, at least one joint holder must sign the proxy form.

A proxy form is attached to this Notice.

4 Other

Words which are defined in the Explanatory Memorandum have the same meaning when used in this Notice of Meeting unless the context requires otherwise. For assistance in considering the Notice of Meeting, the following words are defined here:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

Board means the board of directors of pieNETWORKS Limited.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice of Meeting.

Incentive Scheme means the employee incentive scheme for employees and Directors known as the pieNETWORKS Limited Option Incentive Scheme.

Listing Rules means the listing rules of ASX.

Notice or Notice of Meeting means this notice of annual general meeting.

Option means an option to acquire a Share and includes the Incentive Options.

Placement Shares means the 85,605,555 ordinary fully paid shares split into two tranches and which are the subject of resolutions 1 and 2. The first tranche which were issued to sophisticated investor clients of ASX participant firms on 7 March 2008, and the second tranche the issue for which approval is sought as set out in this Notice of Meeting

Rule means a rule of the Constitution of the Company.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders with information to assess the merits of the resolutions contained in the accompanying Notice Meeting of the Company.

The Directors recommend shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice:

1. Resolution 1, 2 and 3 Share Placement to Sophisticated Investors

Background

On 7 March 2008 the Company announced that it had finalised terms for the placement of 85,605,555 ordinary fully paid shares at an issue price of \$0.018 per share to raise approximately \$1.54 million before costs.

The Placement of 85,605,555 shares is being undertaken as a private placement to sophisticated investors. Funds raised from the placement will be used by the Company to further progress development and sales and marketing activities for the Company's Hotspot Webphone and for general working capital purposes.

The Placement is to be completed in two tranches; the initial tranche of 38,727,000 shares issued pursuant to the Company's 15% placing limit under ASX Listing Rule 7.1, with the balance of 46,878,555 shares to be issued conditional on shareholders approval at this General Meeting.

Resolution 1 seeks shareholder ratification pursuant to Listing Rule 7.4 for a placement of Shares to sophisticated investors completed on 7 March 2008. Resolution 2 seeks shareholder approval for a Placement of up to 35,767,444 Shares to sophisticated investors for the purposes of Listing Rule 7.1. Resolution 3 seeks shareholder approval for the purposes of Listing Rule 10.11 for the issue of up to 11,111,111 Shares to a Director of the Company on the same terms as the Placement.

2. Resolution 1 – Ratification of the issue of 38,727,000 Placement Shares

The first tranche Placement Shares have been issued prior to the General Meeting on 11 April 2008.

The first tranche Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally with all other ordinary shares. The first tranche Placement Shares were issued on 7 March 2008 to sophisticated investor clients of ASX participant firms and made within the company's 15% placement capacity.

\$0.70 million was raised by the issue of the first tranche Placement Shares.

Listing Rule 7.1

Under Listing Rule 7.1, the prior approval of shareholders is not required to issue the first tranche Placement Shares because those securities, when aggregated with securities issued by pieNETWORKS during the previous 12 months (other than those securities issued with shareholder approval), do not exceed 15% of the number of securities on issue at the commencement of that 12 month period.

However, ratification is now sought for the issue of the first tranche Placement Shares to enable the Board to consider additional funding initiatives over the next 12 months consistent with the provisions of Listing Rule 7.1 and the Corporations Act.

Listing Rules Disclosure

For the purposes of Listing Rule 7.4 the following information is provided to shareholders:

- A total of 38,727,000 first tranche Placement Shares were issued to clients of ASX participant firms;
- The first tranche Placement Shares were issued for 1.8 cents per share;
- The first tranche Placement Shares issued rank pari passu with existing shares;
- The allottees of the first tranche Placement Shares were sophisticated investor clients of ASX participant firms who were exempt investors for the purposes of section 708 of the Corporations Act; and
- The issue of the first tranche Placement Shares raised a total of \$697,086 before costs. The funds raised are to be applied to further progress development and sales and marketing activities for the Company's Hotspot Webphone and for general working capital purposes.

The Directors unanimously recommend the ratification of the issue of these first tranche Placement Shares and recommend that Shareholders vote in favour of resolution 1.

3. Resolution 2 – Approval of the Issue of Placement Shares to Sophisticated Investors

As noted for Resolution 1, the Placement was structured to be completed in two tranches. The second tranche Placement Shares equate to 35,767,444 shares at 1.8 cents per share.

The Company intends to issue the second tranche Placement Shares within 7 business days of gaining the approval of shareholders and in any event no later than 1 month after the date of the General Meeting.

The second tranche Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally with all other ordinary shares.

\$0.64 million will be raised by the issue of the second tranche Placement Shares.

The issue of the second tranche Placement Shares is conditional upon pieNETWORKS obtaining shareholder approval for the issue for the purposes of Listing Rule 7.1.

Listing Rule 7.1 provides that a listed company may not issue securities in any 12 month period where the total number of securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except with the prior approval of members of the company in general meeting of the terms and conditions of the proposed issue or where the issue is pro-rata to all shareholders in accordance with their existing shareholdings.

Listing Rules Disclosure

For the purposes of Listing Rule 7.3 the following information is provided to shareholders:

- A total of 35,767,444 second tranche Placement Shares will be issued to clients of ASX participant firms;
- The second tranche Placement Shares will be issued for 1.8 cents per share;
- Once issued the second tranche Placement Shares will rank pari passu with existing shares;
- The allottees of the second tranche Placement Shares are sophisticated investor clients of ASX participant firms who were exempt investors for the purposes of section 708 of the Corporations Act;
- The Shares will be allotted within one month of the date of this General Meeting; and
- The issue of the second tranche Placement Shares will raise a total of \$643,814 before costs. The funds raised by the issue of the second tranche Placement Shares will be applied in the same manner outlined for the Placement funds.

The Directors unanimously recommend that shareholders vote in favour of resolution 2.

4. Resolution 3 – Approval of the Issue of Shares to a Director

As noted for Resolutions 1 and 2, the Company has undertaken a placement to sophisticated investors, to be completed in two tranches. The second tranche incorporates an issue of 35,767,444 Placement Shares to sophisticated investors and 11,111,111 Placement Shares to a Director of the Company on the same terms.

Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to the issue of securities to a related party of the Company. As the Directors of the Company are related parties of the Company, shareholder approval under Listing Rule 10.11 is sought for the proposed issue of shares to Directors or their nominees.

For the purposes of ASX Listing Rule 10.11 and 10.13 the following information is provided:

- 11,111,111 fully paid ordinary Shares to be issued by the Company to Peter Gunzburg or his nominee.
- The consideration payable for the Shares is 1.8 cents per share;
- Once allotted the Shares issued rank pari passu with existing Shares;
- The Shares will be issued within one month of the date of this General Meeting; and
- Funds raised (being the amount of \$200,000) by the issue of Shares to the Director will be applied in the same manner outlined for the Placement funds.

Listing Rule 7.1

As approval of shareholders is being sought pursuant to Listing Rule 10.11, under Listing Rule 7.2 Exception 14, approval under Listing Rule 7.1 is not required.

Messrs Abery, Ferrier and Smith recommend that shareholders vote in favour of resolution 3. Mr Gunzburg does not make any recommendation because of his interest in the resolution.

5. Resolution 4 – Approval of Incentive Plan

Background

Resolution 4 seeks to obtain shareholder approval to refresh the terms of the pieNETWORK Limited Option Incentive Plan (**Incentive Plan**) that provides for the grant of options to Directors, employees and consultants of the Company.

The purpose of the Plan is to:

- recognise the efforts of those employees that have made a significant contribution to the Company's success;
- provide an incentive to employees of the Company to work toward achieving the Company's long-term objectives and thereby improve the financial performance of the Company;
- attract people with a high level of experience and ability to the employment of the Company; and
- enhance the loyalty and relationships already formed between the Company and its employees.

Eligibility for participation in the Incentive Plan is at the discretion of the Board of the Company or a committee of Directors formed for the purpose of determining the eligibility of participants.

The Board of the Company believes that the Incentive Plan has and will continue to make an important contribution to the long-term financial performance of the Company and, correspondingly, an increase in shareholder wealth.

Listing Rules Requirements

ASX Listing Rule 7.1 prohibits (subject to exceptions) a listed company from issuing or agreeing to issue equity securities (which includes shares and options) equal to an amount of more than 15% of a company's ordinary capital in any 12 month period without shareholder approval (**15% Limit**).

Exception 9(b) to ASX Listing Rule 7.2 permits equity securities issued under an employee incentive scheme (such as the Plan) to be excluded from the calculations of the 15% Limit where an issue of equity securities under the employee incentive scheme is approved by shareholders within 3 years before the date they are issued.

The effect of the approval sought by Resolution 4 will be that options granted (and shares issued on exercise of those options) under the Incentive Plan during the 3 years after the date of this Meeting will not be included as reducing the number of equity securities which the Company can issue without shareholder approval under the 15% Limit. This would allow further issues of shares to investors (for example, to institutional investors by way of placement) occurring that may be necessary for future profitability of the Company as well as reducing the costs and administration associated with obtaining shareholder approval.

Pursuant to Chapter 2E of the Corporations Act and Listing Rule 10.14 of the ASX Listing Rules, any grant of options under the Incentive Plan to Directors or an associate of a Director of the Company requires shareholder approval at a general meeting of the Company. The Board is not intending to grant options to Directors under the Plan at this Meeting.

Listing Rules Disclosure

Exception 9(b) to Listing Rule 7.2 sets out several details that are required to be included in this Notice of the approval of the Incentive Plan. For that purpose the following information is provided:

pieNETWORKS Limited

- a summary of the terms of the Incentive Plan is attached as Annexure A to this Explanatory Memorandum; and
- since shareholders in general meeting last approved the terms of the plan on 28 April 2005 the Company has issued the following option:

Issue #	Date of Grant	Number Options issued	Exercise Price	Expiry Date
1	23 November 2005	7,850,000	3 cents each	23 November 2010
2	21 November 2006	500,000	3 cents each	23 November 2010
3	30 April 2007	2,000,000	12 cents each	23 November 2010
4	23 November 2007	1,000,000	12 cents each	23 November 2010
		<u>11,350,000</u>		

ANNEXURE A

Summary of Terms and Conditions

pieNETWORKS Limited Option Incentive Plan

The main objective of the pieNETWORKS Option Incentive Plan ("**Incentive Scheme**") is to assist in the recruitment, reward, retention and motivation of the employees of pieNETWORKS Limited ("**Company**") and its associated companies ("**Group**").

Under this Incentive Scheme it is the responsibility of the Board of Directors of the Company ("**Board**") or a committee appointed by the Board as the case may be, to manage and administer the Incentive Scheme for the Company. It has been agreed by the Company that the aggregate of the total number of Shares of the Company the subject of the Incentive Scheme must not exceed 5% of the number of issued shares, being an ordinary share in the Company, or as adjusted in accordance with the Listing Rules of the Australia Stock Exchange ("**ASX**").

In making its decision to issue Options the Committee may decide which employee is eligible to receive the options, the number of Options and the conditions which are to apply in respect of the Options. In making its determinations the Committee must consider the employee's:

- the employee's position and the services provided;
- the employee's record of employment;
- the employee's potential contribution to the Company; and
- any other matters indicating the employee's merit.

When deciding to invite an employee to apply for an Option ("**Participant**"), the Board may in its absolute discretion also determine the exercise price which must be at least equal to the market price of one share but in any event must not be less than \$0.03 or such amount as may be prescribed by the Listing Rules.

The Board may give a Participant notice inviting them to participate and apply for Options. The invitation is to specify the Participant, the number of Options which the Participant is invited to apply for, the amount payable and the terms of payment (if applicable), the exercise price, the vesting period, the Option period, the exercise conditions (if any), the closing date for applying, how the Company will make available to the Participant the current market price of shares and how the Participant is to apply for the Option. An acceptance form must also be included with the invitation.

The Board may only invite a Director, or any other person who for the purposes of Part 1.2 Division 2 of the Corporations Act would be regarded as a person associated with a Director, to apply for Options in a manner permitted by the Listing Rules.

A Participant must on or before the closing date do what is specified in the invitation and execute the acceptance form. The recipient of an offer of Options is entitled to renounce the offer in favour of a permitted nominee. The Company must upon receipt of a duly completed acceptance form grant the relevant Options to the Participant and issue the holder who is registered as holder of the Option in the register of Options maintained by the Company an Option certificate (or holding statement).

To exercise an Option the Participant must give notice to the Company specifying that it exercised the Option accompanied by the relevant Option certificate and payment of the full amount of the exercise price. The exercise of an Option is only effective when the Company receives full value for the full amount of the exercise price, which must be made by cheque, bank draft or postal order. The Company must then allot and issue to the Participant the shares within 10 days.

Unless otherwise determined by the Board, if a Participant ceases employment or to hold office as a director, for any reason other than retirement, permanent disability, redundancy or death, all options held by the Participant will automatically lapse within 30 days.

The legal representative of a deceased holder is entitled to be registered as the Option holder. In all other circumstances the Options are not transferable.

The Company must issue to the holder an Option certificate for Options not exercised. The shares to be issued to any Participant upon exercise of an Option will not be quoted on any stock exchange on which shares of the Company are quoted until the Option is exercised, at which time the Company must apply to the ASX to obtain quotation for those shares.

All adjustments are to be made in accordance with the Listing Rules of the ASX.

The Board may at any time amend all or any of the rules or any of the rights and obligations or may formulate special terms or conditions attached to the Incentive Scheme. These rights are subject to any restrictions or procedural requirements relating to the amendment of the terms of an employee incentive scheme or of issued options imposed by the Listing Rules and applicable to the Incentive Scheme or the Options.

All notices in connection with this Incentive Scheme must be made in writing and signed.

Terms of Options

There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, as required by the Listing Rules, the Company will send a notice to each holder of Options prior to the record date. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

If from time to time or prior to the expiry of the Options the Company makes an issue of shares to the holders of shares by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of their Options an Option holder will be entitled to have issued to them (in addition to the shares which would otherwise be issued to them upon such exercise) the number of shares of the class which would have been issued to them under that bonus issue (bonus shares) if on the record date for the bonus issue they had been registered as the holder of the number of shares of which they would have been registered as holder, if immediately prior to that date, they had duly exercised their Options and the shares the subject of such exercise had been duly allotted and issued to them. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue.

In the event of any reorganisation of the issued capital of the Company on or prior to the expiry of the options, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

Significant variations to the terms of the Incentive Scheme since last approval in April 2005.

No changes have been proposed to the conditions of the Incentive Scheme.

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or under the hand of an officer of the corporation or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this General Meeting that is **by 10:30am WST on 9 April 2008** by post or facsimile to the respective addresses stipulated in this proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - if the proxy is Chairman, the proxy must vote on a poll and must vote that way, and
 - if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.
7. The Chairman intends to vote for all resolutions set out in the Notice.