

pieNETWORKS LIMITED

ACN 078 661 444

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting: 8 July 2010
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 Thursday, 8 July 2010 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 100,000,000 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 50,000,000 Shares in the Company on the terms and conditions set out in the Explanatory Memorandum, be approved.”

3. Approval of grant of options

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

“That for the purpose of Listing Rule 7.1 of the Listing Rules of the ASX Limited and for all other purposes, shareholders approve the grant of 20,000,000 options to CPS Securities Pty Ltd (and the issue of any shares upon exercise of those options) on the terms and conditions set out in the Explanatory Memorandum,.”

4. Approval of grant of options to employees and contractors

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

“That for the purpose of Listing Rule 7.1 of the Listing Rules of the ASX Limited and for all other purposes, shareholders approve the grant of 17,600,000 options to employees and contractors (and the issue of any shares upon exercise of those options) on the terms and conditions set out in the Explanatory Memorandum,.”

BY ORDER OF THE BOARD



Mark Pitts
Company Secretary
28th May 2010

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 6 July **2010**. 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 resolutions 2, 3 and 4, the Company will, in accordance with Listing Rule 7.3.8, disregard any votes cast on resolutions 2, 3 and 4 by a person who may participate in the proposed issues and any associate of those persons and a person who may benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

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

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.

pieNETWORKS Limited

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 6 July 2010**), 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.

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 150,000,000 ordinary fully paid shares split into two tranches and which are the subject of resolutions 1 and 2.

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 and 2 Share Placement to Sophisticated Investors

Background

On 31 March 2010 the Company announced that it had agreed terms for the placement of 150,000,000 ordinary fully paid shares at an issue price of \$0.02 per share to raise approximately \$3 million before costs.

Funds raised by the placement will be used in the deployment of the Company's existing Hotspot Webphone network in New Zealand and to support the Company's activities in developing new markets for its products and services in Australia and other overseas.

The Placement is to be completed in two tranches; on 30 April 2010 the Company announced completion of the initial tranche of 100,000,000 shares issued pursuant to the Company's 15% placing limit under ASX Listing Rule 7.1; with the balance of 50,000,000 shares is to be issued conditional on shareholders approval at this General Meeting.

Resolution 1 seeks shareholder ratification pursuant to Listing Rule 7.4 for the issue of the first tranche of Placement Shares completed on 30 April 2010. Resolution 2 seeks shareholder approval for the issue of up to 50,000,000 Shares for the purposes of Listing Rule 7.1, being the second tranche of the Placement.

2. Resolution 1 – Ratification of the issue of 100,000,000 Placement Shares

The first tranche Placement Shares have been issued prior to the General Meeting on 30 April 2010 to two investment banks and was made within the company's 15% placement capacity.

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

\$2 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 100,000,000 first tranche Placement Shares were issued to two investment banks ;
- The first tranche Placement Shares were issued for 2 cents per share;
- The first tranche Placement Shares issued rank pari passu with existing shares;
- The allottees of the first tranche Placement Shares were Credit Suisse Equities (Australia) Ltd and UBS Securities Australia Ltd. Both of whom are 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 \$2,000,000 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 the second tranche Placement Shares

As noted for Resolution 1, the Placement was structured to be completed in two tranches. The second tranche Placement Shares equate to 50,000,000 shares at 2 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.

\$1 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 50,000,000 second tranche Placement Shares will be issued;

- The second tranche Placement Shares will be issued for 2 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 will be the same as for the first tranche, exempt investors for the purposes of section 708 of the Corporations Act;
- The Shares will be allotted and issued within one month of the date of this General Meeting; and
- The issue of the second tranche Placement Shares will raise a total of \$1,000,000 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 Grant of Options

Resolution 3 seeks Shareholder approval for the issue of up to 20,000,000 Options to CPS Securities Pty Ltd in part consideration for fund raising and advisory services.

The terms of the Options are set out in Annexure A to this Explanatory Memorandum.

The Options will vest on grant and will be exercisable in minimum parcels of 5,000,000 options on payment of 5 cents per option on or before 31 March 2013

Directors believe that the use Options in this way provided a cost effective means of incentivising CPS Securities to complete the placement on its behalf.

The Company will receive \$1,000,000 should all the Options be exercised.

Subject to the receipt of all placement monies, the Company propose to allot and issue the Options as soon as practicable after the date of the meeting, but in any event no later than 3 months after the date of the meeting.

No Director will participate in these Options and as a result the Directors will all be voting in favour of the resolution.

5. Resolution 4 – Approval of Grant of Options to Employees and Contractors

Resolution 4 seeks Shareholder approval for the issue of up to 17,600,000 Options to employees and contractors.

The number of options being proposed to be granted has been determined after consideration of the following factors:

- All of the executives and senior staff and contractors entitled to participate in the offer of Options have been on reduced remuneration since January 2009;
- Length of service to the Company; and
- Incentive to remain with the Company and to ensure real growth is achieved to deliver value to all shareholders.

The Company proposes to grant an aggregate of 17,600,000 'Incentive Options' (each with an exercise price of 1 cents and an expiry date of five years from the date of issue) to the employees

and contractors or their nominee(s). The terms of the Incentive Options are set out in Annexure B to this Explanatory Memorandum.

The Incentive Options will vest in three equal tranches of 5,866,667 Incentive Options each over three years, and once the Share price exceeds a set trigger price based on a 30 day average as follows:

- Tranche A: one third of the Options (5,866,667) vest after 12 months from the date of issue if at or after the anniversary the underlying shares have traded or are trading based on a 30 day average, at or above 3 cents.
- Tranche B: one third of the Options (5,866,667) vest after 24 months from the date of issue if at or after the anniversary the underlying shares have traded or are trading based on a 30 day average, at or above 5 cents.
- Tranche C: one third of the Options (5,866,667) vest after 36 months from the date of issue if at or after the anniversary the underlying shares have traded or are trading based on a 30 day average, at or above 7 cents.

In the event of a change of control of the Company, any unvested Incentive Options will vest only if the value attributable to a Share by the change of control transaction is at or above the relevant trigger price for vesting.

Directors consider that the incentive represented by the grant of these Incentive Options is a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The Company will receive \$176,000 should all the Incentive Options be exercised.

The Company propose to allot and issue the Options as soon as practicable after the date of the meeting, but in any event no later than 3 months after the date of the meeting.

No Director will participate in these Incentive Options and as a result the Directors will all be voting in favour of the resolution.

TERMS AND CONDITIONS OF CPS SECURITIES PTY LTD - OPTIONS

- 1.1 No monies will be payable for the issue of the Options.
- 1.2 No certificate will be issued for the Options.
- 1.3 The Options shall expire on 31 March 2013.
- 1.4 The Options will vest on grant.
- 1.5 Each Option shall carry the right to subscribe for one Share.
- 1.6 Subject to the Option holder agreeing to exercise a minimum amount of 5,000,000 options in any one parcel, Options may be exercised in whole or in part. As exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by him.
- 1.7 The issue price of Shares the subject of the Options of \$0.05 per Share shall be payable in full on exercise of the Options.
- 1.8 Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing and in reasonable form stating the intention of the Option Holder to exercise all or a specified number of Options held by him and evidence of a funds transfer or a cheque payable to the Company for the subscription monies for the Shares.
- 1.9 The Company shall allot the resultant Shares and deliver the share certificates within five (5) business days of the exercise of the Option.
- 1.10 Options shall not be listed for Official Quotation on ASX.
- 1.11 An Option Holder may not, except with the approval of the Board of Directors (in its sole and absolute discretion), sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options. The approval of the Board of Directors may be given subject to satisfaction of certain conditions in which event such approval will be deemed not to occur until any such conditions have been satisfied. Nothing in this clause enables the Board of Directors to refuse to register a proper transfer of Options.
- 1.12 Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 1.13 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.
- 1.14 If the Options are exercised before the record date of an entitlement, the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option Holder of the proposed issue at least nine (9) business days before the record date. Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.
- 1.15 In the event of any reorganisation of capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.
- 1.16 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

1.17 In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

$$O' = \frac{O - E[P - (S+D)]}{N+1}$$

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying securities in the Company into which one Option is exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlement date.

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

1.18 The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option Holder will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.

1.19 The Company shall notify each Option Holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the exercise price.

TERMS AND CONDITIONS OF INCENTIVE OPTIONS

- 1.20 No monies will be payable for the issue of the Options.
- 1.21 No certificate will be issued for the Options.
- 1.22 The Options shall expire on the date that is 5 years after the date of issue.
- 1.23 The Options will vest in three tranches of 5,866,667 each once the Share price exceeds a set trigger price for 1 week as follows:
- Tranche A: one third of the Options (5,866,667) vest after 12 months from the date of issue if at the anniversary the underlying shares have traded and are trading based on a 30 day average, at or above 3 cents.
 - Tranche B: one third of the Options (5,866,667) vest after 24 months from the date of issue if at the anniversary the underlying shares have traded and are trading based on a 30 day average, at or above 5 cents.
 - Tranche C: one third of the Options (5,866,667) vest after 36 months from the date of issue if at the anniversary the underlying shares have traded and are trading based on a 30 day average, at or above 7 cents.

In the event of a change of control of the Company, any unvested Options will vest only if the value attributable to a Share by the change of control transaction is at or above the relevant trigger price for vesting.

- 1.24 Each Option shall carry the right to subscribe for one Share.
- 1.25 Options may be exercised in whole or in part. As exercise of only some Options shall not affect the rights of the Option Holder to the balance of the Options held by him.
- 1.26 The issue price of Shares the subject of the Options of \$0.01 per Share shall be payable in full on exercise of the Options.
- 1.27 Subject to the Board of Directors agreeing otherwise (in its sole and absolute discretion), if the Option holder in their role, as an employee or consultant of the Company, is terminated or resigns prior to exercising the Options they will lapse.
- 1.28 Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option Holder to exercise all or a specified number of Options held by him and a cheque payable to the Company for the subscription monies for the Shares.
- 1.29 The Company shall allot the resultant Shares and deliver the share certificates within five (5) business days of the exercise of the Option.
- 1.30 Options shall not be listed for Official Quotation on ASX.
- 1.31 An Option Holder may not, except with the approval of the Board of Directors (in its sole and absolute discretion), sell, transfer, assign, give or otherwise dispose of, in equity or in law, the benefit of the Options. The approval of the Board of Directors may be given subject to satisfaction of certain conditions in which event such approval will be deemed not to occur until any such conditions have been satisfied. Nothing in this clause enables the Board of Directors to refuse to register a proper transfer of Options.

- 1.32 Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 1.33 The Company shall, in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation.
- 1.34 If the Options are exercised before the record date of an entitlement, the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the Option Holder of the proposed issue at least nine (9) business days before the record date. Option Holders do not have a right to participate in new issues without exercising their options in accordance with Listing Rule 6.19.
- 1.35 In the event of any reorganisation of capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.
- 1.36 The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.
- 1.37 In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced according to the following formula:

$$O' = \frac{O - E[P - (S+D)]}{N+1}$$

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying securities in the Company into which one Option is exercisable.

P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlement date.

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

- 1.38 The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of Options. The effect will be that upon exercise of the Options the number of Shares received by the Option Holder will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for bonus issues. The exercise price of the Options shall not change as result of any such bonus issue.
- 1.39 The Company shall notify each Option Holder and ASX within one (1) month after the record date for a pro-rata bonus or cash issue of the adjustment to the number of Shares over which the Option exists and/or the adjustment to the exercise price.

PROXY FORM
 pieNETWORKS LIMITED
 ABN 078 661 444

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

Name:

(PLEASE PRINT)

Address:

Appointment of Proxy:

I/We being a member/s of pieNETWORKS Limited and entitled to attend and vote hereby appoint:

The Chairman of the **OR**
 Meeting

(mark with an 'X')

Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

Or failing the person name, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at a General Meeting of pieNETWORKS Limited to be held at 75 Collingwood Street, Osborne Park, WA 6017 on Thursday, 8 July 2010 at 10:30am and at any adjournment of that meeting.

Voting directions to your proxy – please mark to indicate your directions

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratify previous placement (Tranche 1)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approve placement (Tranche 2)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Unlisted Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Incentive Options to Employees and Contractors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on you behalf on a show of hands or on a poll and your notes will not be counted in computing the required majority on a poll.

If you do not wish to direct your proxy how to vote, and wish him or her to vote at his or her discretion, please place a mark in this box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution, and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your vote on the resolutions and your vote will not be counted in computing the required majority if a poll is called.

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual / Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Contact Name

Contact Daytime Telephone

Date

HOW TO COMPLETE THE PROXY FORM

1 Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. The Chairman intends to vote in favour of resolutions for which no voting indication has been given.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate securityholder or proxy is to attend the meeting, the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of a Proxy and Deadline for Receipt of Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 10.30am (WST) on Tuesday 6th July 2010 being 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged by post, delivery or facsimile to the Registered Office of pieNETWORKS Limited being: 75 Collingwood Street, Osborne Park, WA 6017 or by facsimile to fax number +61 8 9444 9022.

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