



PENTANET

APPENDIX 4E



ASX: 5GG

ASX ANNOUNCEMENT

26TH AUG 2021

PENTANET LTD
APPENDIX 4E
Preliminary final report

1. Company details

Name of entity:	Pentanet Ltd
ABN:	29 617 506 279
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	117.4%	to	11,083
Loss from ordinary activities after tax attributable to the owners of Pentanet Ltd	up	168.0%	to	(13,697)
Loss for the year attributable to the owners of Pentanet Ltd	up	168.0%	to	(13,697)

Dividends

There were no dividends paid, recommended, or declared during the current financial period.

Review of operations

Pentanet delivered solid results in revenue terms with a 118% YoY increase from \$5m to \$11m (an increase of \$6m). In addition, YoY recurring network revenue increased by 131%, from \$4.1m to \$9.5m (an increase of \$5.4m), highlighting the strength of the recurring revenue model.

Gross profit increased by 153% YoY from \$1.9m to \$4.7m (an increase of \$2.9m). Pentanet improved its YoY gross margins by 16%, emphasising higher-margin yielding service offerings and cost efficiencies on lower-margin yielding service offerings.

The loss for the consolidated entity after providing for income tax amounted to \$13,697,000 (30 June 2020: \$5,111,261).

The loss of \$13.7m includes significant items incurred as part of listing on the ASX, \$4.5m share-based expenses, \$3.8m finance costs relating to the exercise of convertible note options, \$1.1m of cost for share options exercised on behalf of staff prior to the IPO and IPO related costs of \$0.3m.

After adjusting for significant items, the loss after tax for the consolidated entity was \$4m.

The earnings before interest, tax, depreciation, and amortisation (EBITDA)¹ after adjustments for \$4.5m share-based expenses \$1.1m of cost for options exercised on behalf of staff prior to the IPO and IPO related costs of \$0.3m was -\$2.4m compared to -\$2.8m in the prior financial year.

On 7 January 2021, the Consolidated Entity issued 89,940,000 fully paid ordinary shares at an issue price of \$0.25 (25 cents) per share under an initial public offer (IPO) on the ASX.

On 28 June 2021, the consolidated entity completed a placement of 27,777,778 fully paid ordinary shares at an issue price of \$0.72 (72 cents) per share. Funds raised will be used to accelerate the planned growth in Cloud Gaming and Terragraph telecommunication infrastructure rollout, using the 5G wireless spectrum acquired for Western Australia in the recent national government spectrum auction.

The Company had \$32.7 million in cash at the end of the Quarter, placing it in a strong position to fund the growth of both its fixed wireless and emerging cloud gaming businesses in a timely and disciplined manner.

Detailed commentary on the results for the year is contained in the annual financial report that accompanies this announcement.

¹ EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude, share based expenses, cost of options exercised on behalf of staff and IPO related costs. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

PENTANET LTD
APPENDIX 4E
Preliminary final report

3. Dividends

Current period

There were no dividends paid, recommended, or declared during the current financial period.

Previous period

There were no dividends paid, recommended, or declared during the previous financial period.

4. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security	0.11	0.01

5. Control gained over entities

Not applicable.

6. Loss of control over entities

Not applicable.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited, and an unmodified opinion has been issued.

PENTANET LTD
APPENDIX 4E
Preliminary final report

11. Attachments

Details of attachments (if any):

The Annual Financial Statements of Pentanet Ltd for the year ended 30 June 2021 is attached.

12. Signed

Signed

A handwritten signature in dark ink, appearing to read 'D. Buckingham', is written over a horizontal line.

Date: 25 August 2021

David Buckingham
Non-Executive Chairman
Perth

ABN 29 617 506 279

PENTANET LTD

Directors' Report and Annual Financial Statements For the Year Ended 30 June 2021

PENTANET LTD
CORPORATE DIRECTORY
30 June 2021

Directors	David Buckingham Stephen Cornish Timothy Cornish Dalton Gooding Craig Amos	Non-Executive Chairman Managing Director Executive Director Non-Executive Director Non-Executive Director
Company secretary	Patrick Holywell	
Registered office	Unit 2 / 8 Corbusier Place, Balcatta 6021, WA	
Principal place of business	Unit 2 / 8 Corbusier Place, Balcatta 6021, WA	
Principal banker	Bankwest 220 St Georges Terrace, Perth, 6000, WA.	
Share register	Automatic Group Level 2, 267 St Georges Terrace, Perth, 6000, WA	
Auditor	BDO Audit (WA) Pty Ltd Level 1, 38 Station Street, Subiaco WA 6008	
Stock exchange listing	Pentanet Ltd shares are listed on the Australian Securities Exchange (ASX code: 5GG)	

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or group) consisting of Pentanet Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

The following persons were directors of Pentanet Ltd during the whole of the financial year and up to the date of this report unless otherwise stated:

David Buckingham (appointed 10 September 2020 – Non-Executive Chairman)
Stephen Cornish (appointed 20 February 2017)
Timothy Cornish (appointed 20 February 2017)
Dalton Gooding (appointed 26 November 2018)
Craig Amos (appointed 26 November 2018)
Russell Kane (resigned 4 September 2020)

Company secretary

Patrick Holywell (appointed 20 November 2019)

Principal activities

The principle activities of the group consisted of the provision of internet and associated telecommunications products and services and gaming technology.

Dividends

There were no dividends paid, recommended, or declared during the current or previous financial year.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Operating and financial review

Our business model and objective

Pentanet is a Perth-based, growth-focused telecommunications Company delivering high-speed internet to a growing number of subscribers by providing them with next-generation internet speeds. This is achieved through Pentanet's market-leading private fixed-wireless network, the largest in Perth, as well as reselling fixed-line services such as NBN, where its wireless network is not yet available.

Pentanet's flagship fixed wireless network has benefits for both customers and investors, offering an outstanding customer experience and a fixed-wireless product that is technically superior to most of the NBN – with attractive margins for investors. This sets Pentanet apart from most broadband providers, which only resell the NBN.

Pentanet will also be part of the rollout of the next wave of subscription-based entertainment services – cloud gaming. The Company's Alliance Partner Agreement with NASDAQ listed NVIDIA – one of the world's largest producers of specialised graphic chips used in gaming – allows Pentanet to be the first to bring their GeForce NOW technology to Australia in 2021

Operating results

The loss for the consolidated entity after providing for income tax amounted to \$13,697,000 (30 June 2020: loss of \$5,111,261).

The loss of \$13.7m includes significant items incurred as part of listing on the ASX, \$4.5m share-based expenses, \$3.8m finance costs relating to the exercise of convertible note options, \$1.1m of cost for share options exercised on behalf of staff prior to the IPO and IPO related costs of 0.3m.

After adjusting for significant items, the loss after tax for the consolidated entity was \$4.0m.

The earnings before interest, tax, depreciation, and amortisation (EBITDA)² after adjustments for \$4.5m share-based expenses \$1.1m of cost for options exercised on behalf of staff prior to the IPO and IPO related costs of \$0.3m was -\$2.4m compared to -\$2.8m in the prior financial year.

The net cash inflow of \$31.4m was attributable to \$41.4m received through capital raisings (net of share issue expenses), \$0.5m received from the exercise of share options, offset by \$3.2m in net operating cashflow outflows, \$5.0m for the purchase of plant and equipment and \$1.8m expended on payments for intangible assets (being the first instalment of licence payments for recently acquired 5G spectrum).

Further discussion on the group's operations is provided below.

Review of operations

The Company delivered a 118% increase in revenue from \$5.0m in the prior year to \$11.0m in the year ended 30 June 2021. In addition, recurring network revenue increased by 131%, from \$4.1m to \$9.5m.

At 30 June 2021, the consolidated entity had a cash balance of \$32.7m.

Capital raising

The group successfully listed on the ASX, raising \$22.5m (before costs) on 7 January 2021. Funds raised from the IPO will be used to expand the fixed-wireless network, including plans to roll out the new faster Terragraph network technology that will increase customer coverage and enable Pentanet to offer even higher speed plans. Funds will also be used to rollout GeForce NOW subscription-based cloud gaming infrastructure under the Alliance Partner Agreement with NASDAQ listed company NVIDIA.

The group raised a further \$20.0m (before costs) via a share placement to institutional and sophisticated investors on 28 June 2021. Funds raised will be used to accelerate the planned growth in Cloud gaming and Terragraph telecommunication infrastructure rollout, using the 5G wireless spectrum acquired for Western Australia in the recent national government spectrum auctions.

² EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude, share based expenses, cost of options exercised on behalf of staff and IPO related costs. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee. Instead, sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole and the sub-committee further examines the issue and reports back to the Board.

The Board has several mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved budget and Board monitoring of progress against budget, including the establishment and monitoring of financial KPI's; and
- The establishment of committees to report on specific business risks.

For more information on risk management please refer to: www.pentanet.com.au/investor-centre/ containing our latest risk disclosure in the Capital raise presentation on 18 June 2021 and Risk Management Policy under Corporate Governance.

Significant changes in the state of affairs

On 27 November 2020, prior to the Company's IPO, all convertible notes on issue (plus interest accrued) were converted into 20,646,154 shares at \$0.13 per share and 2,741,342 shares at \$0.10 per share. Further to this, there were attaching options that were exercised into 6,256,410 shares at \$0.13 per share.

On 11 December 2020, Pentanet lodged its prospectus with ASIC.

On 7 January 2021, the Consolidated Entity issued 89,940,000 fully paid ordinary shares at an issue price of \$0.25 (25 cents) per share under an initial public offer (IPO).

On 29 January 2021, Pentanet was listed on the ASX.

The Company has entered into a binding commercial agreement with NVIDIA (NVIDIA Agreement) on 25 November 2020, whereby NVIDIA and the Company will collaboratively work on delivering a commercialised "GeForce NOW" (GFN) cloud-based gaming solution in Australia.

NVIDIA Corporation is a NASDAQ-listed multinational technology Company and is one of the world's largest manufacturers of graphics processing units for gaming and professional markets. GeForce NOW is the name of NVIDIA's cloud gaming service, which is currently available in over 70 countries. GeForce NOW enables users to stream games from the cloud directly to a laptop, desktop, or compatible Android device. It is a subscription-based service that instantly turns nearly any laptop, desktop, Mac, or Android device into a powerful gaming computer, providing users with on-demand access to their game libraries, hosted on nearby servers for the life of the subscription.

The Company issued 160,000 Shares and 29,610,000 Options (Employee Options) to staff, Directors, and management of the Company (together, Employee Securities). The Employee Securities have been offered by way of a secondary offer under the prospectus.

On the 23 of April 2020, Pentanet successfully secured a 15 year, \$8m license for high band 5G spectrum in the 26Ghz auction conducted by the Australian Communication and Media Authority (ACMA).

On 10 June, the Company announced the commencement of the innovative beta program for GeForce NOW, NVIDIA's premiere cloud-based game streaming services.

On 28 June 2021, the consolidated entity issued 27,777,778 fully paid ordinary shares at an issue price of \$0.72 (72 cents) per share under a placement to institutional and sophisticated investors.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

In line with the Group's stated strategy, Pentanet will focus on executing the Company's Fixed Wireless and Cloud Gaming accelerated growth strategy. Central to this strategy is deploying Terragraph and GeForce NOW infrastructure to drive industry-leading performance capability and build a unique telecommunications and gaming platform in the Australian market.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Share options

As at the date of this report, the Group has options over ordinary shares. These issues have been issued on the following terms.

Number of unlisted options	Exercise price	Expiry date
1,000,000	\$0.13	28 February 2022
9,870,000	\$0.30	30 June 2024
9,870,000	\$0.37	30 June 2024
9,870,000	\$0.50	30 June 2024
Total 30,610,000		

Information on directors

Name:	David Buckingham
Title:	Chairman
Experience and expertise:	David Buckingham has over thirty years of experience as a corporate leader in telecommunications, media, technology, IT and education. Mr Buckingham began his career at Price Waterhouse Coopers in the UK and Australia. Most recently, Mr Buckingham served as both Chief Executive Officer and Chief Financial Officer of Navitas Limited (ASX:NVT), a global education provider with over 120 colleges and campuses across 31 countries. Prior to Navitas, David worked for Telewest Global as the Group Treasurer and Director of Financial Planning, for Virginmedia, as Finance Director, Business Division and for iiNet (ASX:IIN), where he held the roles of Chief Financial Officer and Chief Executive Officer between 2008 and 2015. He was the Chief Executive Officer of iiNet when the company was acquired by TPG Limited in September 2015. Mr Buckingham holds a Bachelor of Technology (Hons) from the Loughborough University of Technology and is a qualified ACA Chartered Accountant in England & Wales and a member of the Australian Institute of company Directors.
Other current directorships:	Nuheara Ltd - appointed: 1 November 2019 Hiremii Ltd – appointed 3 May 2021 Openlearning Ltd - appointed 9 September 2019
Former directorships (last 3 years):	Navitas Limited – appointed 1 July 2018, resigned 5 July 2019
Ordinary shares:	200,000
Options over ordinary shares:	3,000,000
Committee Membership:	Chairman of the board and remuneration and nomination committee and member of the audit and risk committee

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Name:	Stephen Cornish
Title:	Managing director and founder
Experience and expertise:	Stephen Cornish founded Pentanet in 2017. Under his leadership, the company has continued to achieve impressive year-on-year growth, with nearly 12,000 customers connected under the Pentanet brand. In 2018, Stephen was a finalist in the Australian Young Entrepreneur Awards, and in 2019 was recognised as one of WA's forty leading business entrepreneurs in the Business News 40under40 Awards. In 2019, Mr Cornish founded Pentanet.GG, Western Australia's own eSports league, and is actively championing the digitisation of Perth as the next global eSports destination.
Other current directorships:	None
Former directorships (last 3 years):	None
Ordinary shares:	50,458,135
Options over ordinary shares:	9,900,000
Committee Membership:	None
Name:	Timothy Cornish
Title:	Executive director and co-founder
Experience and expertise:	Timothy Cornish is a founding director of Pentanet and has various interests in resources, mining technology and international trade. He is an experienced and successful business leader with extensive involvement in private enterprise for over 20 years. Having spent a significant amount of time in China and throughout Asia, Mr Cornish has built an extensive network of contacts, opportunities, and experience. Mr Cornish's early career in accounting and finance involved roles with Grant Thornton as well as an international strategic sourcing specialist. He has built sales and distribution channels into Asia-Pacific and South American engineering and mining service industries as well as accompanying global supply chains including Europe, USA and Asia. Mr Cornish has completed a Bachelor of Commerce at UWA and a Graduate Diploma of Chartered Accounting with the Institute of Chartered Accountants Australia & New Zealand. In 2021 Mr Cornish was recognised as one of WA's forty leading business entrepreneurs in the Business News 40under40 Awards, as well as being awarded Start-Up Category winner.
Other current directorships:	None
Former directorships (last 3 years):	None
Ordinary shares:	13,471,135
Options over ordinary shares:	6,600,000
Committee Membership:	None
Name:	Dalton Gooding
Title:	Non-executive director
Experience and expertise:	Dalton Gooding has over 40 years' experience and is currently the senior partner of DFK Gooding Partners, where he advises on a wide range of businesses with particular emphasis relating to accounting issues, taxation, due diligence, feasibilities and general business advice. He was a long-standing Partner at Ernst & Young and is a Fellow of the Institute of Chartered Accountants Australia & New Zealand. Mr Gooding also holds director positions on a number of public and private company boards in various sectors.
Other current directorships:	Katana Capital Ltd – appointed 10 November 2005
Former directorships (last 3 years):	None
Ordinary shares:	3,575,641
Options over ordinary shares:	2,400,000
Committee Membership:	Member of the audit and risk committee and the remuneration and nomination committee

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Name:	Craig Amos
Title:	Non-executive director
Experience and expertise:	Craig Amos is a Chartered Accountant with over 20 years of experience in finance, strategy, M&A, and commercial projects in corporate and professional services environments. He is currently a partner at RSM's Perth office, specialising in corporate M&A and capital markets advisory services. He has a diverse background, having worked as a CFO in both public and private companies, Strategy & Corporate Development roles and at the Director level in Tier 1 Corporate Advisory. Mr Amos is the former CFO of Velrada and was previously CFO of ASX listed Decmil Group Limited, including in 2014 when it was part of the ASX200. Mr Amos is also an Advisory Board member at Curtin University School of Accounting. Before his corporate career, he held the position of Executive Director in the Corporate Finance Division of Ernst & Young, where he gained extensive experience leading teams on a range of strategic transactions. Mr Amos holds a Bachelor of Commerce (with Honours) and a Graduate Diploma in Applied Finance. He is also a fellow of the Financial Service Institute of Australasia.
Other current directorships:	None
Former directorships (last 3 years):	None
Ordinary shares:	1,051,283
Options over ordinary shares:	1,800,000
Committee Membership:	Chairman of the audit and risk committee and member of the remuneration and nomination committee
Name:	Patrick Holywell
Title:	Company Secretary
Experience and expertise:	Patrick Holywell has over fifteen years of experience in accounting, finance and corporate governance, including employment at Deloitte and Patersons. He is a Chartered Accountant and a Fellow of the Governance Institute of Australia with the last ten years focused on Director/CFO/company Secretarial roles, particularly in the resources and technology space. Mr Holywell worked at Deloitte in the assurance and advisory division and was a founding member and investment analyst for Patersons Asset Management. Mr Holywell has completed a Bachelor of Commerce at UWA, a Graduate Diploma of Chartered Accounting with the Institute of Chartered Accountants and the Company Directors Course with the Australian Institute of Company Directors
Other current directorships:	Si6 Metals Ltd – appointed 25 November 2019 Transcendence Technologies Ltd – appointed 20 November 2019
Former directorships (last 3 years):	None
Ordinary shares:	637,181
Options over ordinary shares:	600,000
Committee Membership:	N/a
Name:	Russell Kane
Title:	Non-executive director
Experience and expertise:	Russell Kane holds an Executive Director position at Euroz and has worked in the stock brokerage industry since 1994. He holds a Bachelor of Business from Edith Cowan University and is responsible for servicing both domestic institutions and high net worth clients, with a particular emphasis on WA based resources and industrials stocks.
Other current directorships:	None
Former directorships (last 3 years):	Euroz Limited – appointed 5 November 2013, resigned 9 October 2020.
Ordinary Shares:	1,051,060
Options over ordinary shares:	None
Committee Membership:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities unless otherwise stated.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director was:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
David Buckingham	6	6	1	1	1	1
Stephen Cornish	11	11	-	-	-	-
Timothy Cornish	11	11	-	-	-	-
Dalton Gooding	11	11	1	1	1	1
Craig Amos	11	11	1	1	1	1
Russell Kane	1	2	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

This Remuneration Report sets out remuneration information for Pentanet's Key Management Personnel (KMP) (as defined in AASB 124 Related Party Disclosures), including Non-Executive Directors, Executive Directors and other senior executives who have authority for planning, directing and controlling the activities of the Company.

For the year ended 30 June 2021, the following people were assessed to be KMP:

Name	Role	Appointed
David Buckingham	Non-Executive Chairman of the board and Remuneration and Nomination Committee	10 September 2020
Dalton Gooding	Non-Executive Director	26 November 2018
Craig Amos	Non-Executive Director of the board and chairman of the audit and risk committee	26 November 2018
Stephen Cornish	Managing Director	20 February 2017
Timothy Cornish	Executive Director	20 February 2017
Patrick Holywell	Company Secretary	20 November 2019
Mart-Marie Derman	Chief Financial Officer	11 September 2020

The Remuneration report is designed to provide shareholders with comprehensive information on the structure of Pentanet's remuneration framework and the basis on which it aligns with shareholders and other key stakeholders' interests while ensuring rewards are aligned with strategic objectives and value creation for Pentanet.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

The remuneration report is set out under the following main headings:

1. Remuneration governance
 - 1.1. Remuneration committee
 - 1.2. Use of remuneration consultants
2. Executive remuneration approach and structure
 - 2.1. Remuneration philosophy
 - 2.2. Executive remuneration structure
 - 2.3. Remuneration practices
 - 2.4. Short term incentive plan
 - 2.5. Long term incentive plan
3. Link between Company performance and executive remuneration
4. Employment contracts of directors and senior executives
5. Non-Executive Director fee arrangements
6. Details of remuneration.

1. Remuneration governance

1.1 Remuneration and Nomination Committee

The key purpose of the Remuneration and Nomination Committee is to ensure that the level and composition of remuneration is appropriately balanced between the need to attract and retain high-quality directors and attract, retain and motivate senior executives and the need to ensure that the incentives for executive directors and senior executives encourage them to pursue growth and success of the entity without rewarding conduct that is contrary to the Company's values or risk appetite. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and the executives on a periodic basis. The assessment is made with reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

1.2 Use of remuneration consultants

During the financial year ended 30 June 2021, the consolidated entity, through the Remuneration and Nomination Committee, engaged The Reward Practice, remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') and long-term incentives ('LTI') programs. This has resulted in share-based payments remuneration in the form of share options (LTI) being implemented at the Company's IPO to drive long-term growth in shareholders' value. The Rewards Practice was paid \$19,140 for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant does not communicate with affected key management personnel without a member of the Remuneration and Nomination Committee being present and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed, and as such, there was no undue influence.

For the purposes of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2001 (the Act), any guidance provided by remuneration consultants throughout the financial year was not considered a remuneration recommendation in relation to KMP as defined by Division 1 of Part 1.2 of Chapter 1 of the Act.

2. Executive remuneration approach and structure

2.1 Remuneration philosophy

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of the reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' above), the Remuneration and Nomination Committee is in the process of structuring an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity. Historically, remuneration has not been linked to performance.

The reward framework is designed to align executive rewards to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering a constant or increasing return on assets, as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

2.2 Executive remuneration structure

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including experience, qualifications, job level and overall performance of the Company. The service agreements between the Company and specified directors and executives are on a continuing basis which is not expected to change in the immediate future.

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example, motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

The following table illustrates the executive remuneration elements, including how each element aligns to the Company's remuneration strategy and links remuneration outcomes to performance.

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Comprise base salary, superannuation contributions and other benefits.	To provide competitive fixed remuneration for senior executives as determined by the scope of their position and the knowledge, skill and experience required to perform the role.	Company and individual performance are considered during the annual remuneration review.
STI	The STI component of the KMP remuneration is paid in cash.	Reward executives for short term achievement of: • Financial and operational key performance indicators. • Progress with the delivery of the Company's business plan and strategic objectives, and • Specific goals in relation to the development of people within the Company and its profile within the business community.	Examples of key performance indicators include: • Achievement of financial targets such as revenue, gross profit, and operational targets such as subscriber growth. • Achievement of network expansion targets to ensure capacity ahead of the demand curve. • Overheads and cost control targets. • Targets set in relation to the group business plan such as meeting targeted launch dates, and • Targets set for safety performance based on Total Recordable Injury Frequency Rates.
LTI	Executives are entitled to participate in the employee securities incentive plan. Options issued under the plan do not attract dividends or voting rights.	To better align executives to the interests of shareholders and provide a reward based on long term growth in share price and earnings.	Retains key staff to help grow long term value for shareholders. Pre-IPO awards were based on continued employment. In the 2022 financial year, the Board intend to introduce a new LTI scheme appropriate for the next stage of the Company's development.

2.3 Remuneration practices

The Company aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the business and aligned with market practice.

The Board exercise its discretion in relation to approving incentives, bonuses, rights and shares.

Where applicable, executive directors and executives receive a superannuation guarantee contribution required by the Government, which during the year was 9.5% (subject to the statutory cap), and do not receive any other retirement benefits.

Upon retirement, specified directors and executives are paid employee entitlements and incentives accrued to the date of their retirement.

All remuneration paid to directors and executives is valued at cost to the Company and expensed. Where performance rights and shares are given to directors and executives, they are valued according to the accounting standards.

2.4 Short term incentive plan ('STI')

The STI program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include revenue and gross profit growth, subscriber growth and new product launches, customer satisfaction, leadership contribution and network capacity and capability.

General terms of the STI plan	
How is it paid?	Generally, in cash.
How much can executives earn?	Executives can earn up to a maximum of 30% of their total fixed remuneration as an STI incentive. The Board has discretion for potential overperformance.
How is performance measured?	Through a balance scorecard of financial, operational and organisation development KPI's set prior to the commencement of each financial year. Financial measures are assessed based on the Group's audited financial results
When is it paid?	In October or November of the financial year after the target year.
What happens if an executive leaves or there is a change of control?	The payment of any accrued or part STI benefit in these circumstances is at the discretion of the Board.

The STI award opportunity is based on a percentage of an individual's base salary. For the MD, a maximum award opportunity of 30% of total fixed remuneration is available. The STI is based on the previous financial year's base salary earnings to 30 June before performance-based remuneration reviews.

2.5 Long term incentive plan ('LTI')

The LTI program offered to key executives forms a key part of their remuneration and assists to align their interests with the long-term interests of shareholders. The purpose of the LTI Scheme is to reward key executives for attaining results over a long measurable period and for staying with the organisation. The LTI Scheme is currently a share-based incentive plan consisting of share options.

The LTI include long service leave and share-based payments.

In the 2022 financial year, the Board intend to introduce a new post-IPO LTI scheme appropriate for the stage of the Company's development.

3. Link between Company performance and executive remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of a cash bonus and incentive payments are dependent on defined earnings per financial and operational targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration and Nomination Committee.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors, and executives. There have been two methods applied in achieving this aim, the first being a performance-based short term incentive based on key performance indicators, and the second being the issue of options to executive directors and executives to encourage the alignment of personal and shareholder interests.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Additional information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021	2020	2019	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	10,918	4,997	1,772	261	-
EBITDA ³	(8,291)	(3,926)	(1,664)	(414)	(13)
EBIT	(9,798)	(4,956)	(2,130)	(462)	(14)
Loss after income tax	(13,697)	(5,111)	(2,185)	(463)	(14)
	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Share price at financial year end	0.675	0.13 ⁵	0.10 ⁵	0.10 ⁵	1.00 ⁴
Basic loss per share (cents per share)	(0.07)	(0.04)	(0.02)	(0.01)	(0.39)

³ EBITDA is a financial measure that is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax

⁴ The share price for the year ending 30 June 2017 relates to first-time equity financing.

⁵ The share price in subsequent financial years ending 30 June 2018 to 30 June 2020 relate to seed round fundings raised prior to the IPO.

4. Employment contracts of directors

Name: Stephen Cornish
Title: Managing Director
Agreement commenced: 1 November 2017
Details: The Company has entered into an executive services agreement with Mr Stephen Cornish effective from 1 November 2017, pursuant to which Mr Cornish will serve as Managing Director of the Company on a full-time basis (**MD Agreement**).

Base salary for the year ending 30 June 2022 of \$275,000 plus superannuation, to be reviewed annually by the Remuneration and Nomination Committee.

The MD agreement is for an indefinite term, continuing until terminated by either Mr. Stephen Cornish giving not less than 2 months' notice or the Company giving not less than 6 months' written notice of termination (or shorter periods in limited circumstances).

On termination of the MD Agreement, however occurring, Mr Stephen Cornish is required to resign without claim for compensation from any office held by Mr Stephen Cornish in the Company or any member of the Group. Mr Stephen Cornish is entitled to participate in bonus and/or other incentive schemes as determined by the Remuneration and Nomination Committee approval and KPI achievement.

The service agreement contains standard non-solicitation and non-compete clauses.

Name: Timothy Cornish
Title: Executive Director
Agreement commenced: 1 July 2018
Details: The Company has entered into an executive services agreement with Mr Timothy Cornish, effective from 1 July 2018, pursuant to which Mr Timothy Cornish will serve as an Executive Director of the Company on a full-time basis(**ED Agreement**).

Base salary for the year ending 30 June 2021 of \$175,000 plus superannuation, to be reviewed annually by the Remuneration and Nomination Committee.

The ED Agreement is for an indefinite term, continuing until terminated by either Mr Timothy Cornish giving not less than 2 months' notice or the Company giving not less than 6 months' written notice of termination (or shorter periods in limited circumstances).

On termination of the ED Agreement, however occurring, Mr Timothy Cornish is required to resign without claim for compensation from any office held by Mr Timothy Cornish in the Company or any member of the Group.

Mr Timothy Cornish is entitled to participate in bonus and/or other incentive schemes as determined by the Remuneration and Nomination Committee approval and KPI achievement.

The service agreement contains standard non-solicitation and non-compete clauses.

Name:	David Buckingham
Title:	Non-Executive Chairman
Agreement commenced:	10 September 2020
Term of agreement:	Ongoing until terminated
Details:	Base salary for the year ending 30 June 2021 of \$75,000 plus superannuation. The terms of the appointment are subject to the provision of the constitution relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the non-executive director is not re-elected by shareholders.

Name:	Craig Amos
Title:	Non-Executive Director
Agreement commenced:	26 November 2018
Term of agreement:	Ongoing until terminated
Details:	Base salary for the year ending 30 June 2022 of \$50,000 plus superannuation. The terms of the appointment are subject to the provision of the constitution relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the non-executive director is not re-elected by shareholders.

Name:	Dalton Gooding
Title:	Non-Executive Director
Agreement commenced:	26 November 2018
Term of agreement:	Ongoing until terminated
Details:	Base salary for the year ending 30 June 2022 of \$50,000 plus superannuation. The terms of the appointment are subject to the provision of the constitution relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the non-executive director is not re-elected by shareholders.

5. Non-Executive Director fee arrangements

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment, and responsibilities. The Board approves payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties, and accountability.

Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders during a general meeting and currently stands at a maximum pool of \$300,000.

Fees for Non-Executive Directors are not linked to the performance of the consolidated entity; however, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

6. Details of remuneration

Amounts of remuneration:

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables:

	Short-term benefits			Post-employment benefits	Share-based payments ⁽¹⁾	% Performance related	
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Equity-settled \$		Total \$
2021							
<i>Non-Executive Director⁽²⁾</i>							
David Buckingham	62,500	-	-	5,938	439,550	-	507,988
Dalton Gooding	38,541	-	-	3,266	368,417	-	410,224
Craig Amos	30,625	-	-	2,909	266,310	-	299,844
Russell Kane	2,083	-	-	-	-	-	2,083
<i>Executive Directors:</i>							
Stephen Cornish	228,689	125,000	-	19,233	1,463,419	7%	1,836,341
Timothy Cornish	145,641	80,000	-	14,783	979,915	7%	1,220,339
<i>Other Key Management Personnel:</i>							
Patrick Holywell	82,335	-	-	-	87,910	-	170,245
Mart-Marie Derman	115,770	-	89,355	14,120	219,775	-	439,020
	<u>706,184</u>	<u>205,000</u>	<u>89,355</u>	<u>60,249</u>	<u>3,825,296</u>	<u>-</u>	<u>4,886,084</u>

For 30 June 2021, no remuneration besides the bonuses granted to executive directors was performance-based.

On 2 June 2021, the board approved cash bonuses be awarded to executive directors for their strong performance and contribution to the Company's results through the financial year ending 30 June 2020 and 30 June 2021 and the successful fundraising during 2020 and the subsequent IPO.

- (1) In the 2022 financial year, the Board intend to introduce a new post-IPO LTI scheme appropriate for the stage of the Company's development.
- (2) The aggregate Non-Executive Directors remuneration includes \$1,074,277 share-based payments approved by shareholders prior to the IPO.

	Short-term benefits			Post-employment benefits	Share-based payments	% Performance related	
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Equity-settled \$		Total \$
2020							
<i>Non-Executive Directors:</i>							
Dalton Gooding	26,109	-	-	3,109	83,884	-	113,102
Craig Amos	10,938	-	-	1,039	12,905	-	24,882
Russell Kane	10,938	-	-	-	-	-	10,938
<i>Executive Directors:</i>							
Stephen Cornish	146,329	-	-	13,901	64,526	-	224,756
Timothy Cornish	101,407	-	-	9,634	87,111	-	198,152
<i>Other Key Management Personnel:</i>							
Patrick Holywell	12,810	-	-	-	-	-	12,810
Mart-Marie Derman	90,718	-	-	8,618	-	-	99,336
	<u>399,249</u>	<u>-</u>	<u>-</u>	<u>36,301</u>	<u>248,426</u>	<u>-</u>	<u>683,976</u>

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Additional disclosures relating to key management personnel

*Shareholding**

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
David Buckingham	-	-	200,000	-	200,000
Dalton Gooding	2,000,000	-	1,575,641	-	3,575,641
Craig Amos	100,000	-	951,283	-	1,051,283
Stephen Cornish	44,355,385	-	6,102,750	-	50,458,135
Timothy Cornish	7,555,385	-	5,915,750	-	13,471,135
Patrick Holywell	326,923	-	310,258	-	637,181
Mart-Marie Derman	100,000	1,050,000	20,000	-	1,170,000
	<u>54,437,693</u>	<u>1,050,000</u>	<u>15,075,682</u>	<u>-</u>	<u>70,563,375</u>

*Includes shares held directly, indirectly and beneficially by KMP

*Option holding**

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
David Buckingham	-	3,000,000	-	-	3,000,000
Dalton Gooding	1,814,103	2,400,000	(1,364,103)	(450,000)	2,400,000
Craig Amos	628,205	1,800,000	(328,205)	(300,000)	1,800,000
Stephen Cornish	5,346,026	9,900,000	(2,246,026)	(3,100,000)	9,900,000
Timothy Cornish	3,641,026	6,600,000	(1,991,026)	(1,650,000)	6,600,000
Patrick Holywell	25,642	600,000	(25,642)	-	600,000
Mart-Marie Derman	1,150,000	1,500,000	(1,050,000)	(100,000)	1,500,000
	<u>12,605,002</u>	<u>25,800,000</u>	<u>(7,005,002)</u>	<u>(5,600,000)</u>	<u>25,800,000¹</u>

*Includes options held directly, indirectly and beneficially by KMP

(1) All options held at year end are vested and exercisable.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

On the 27th of November 2020, Pentanet Ltd issued the following options to directors and key management:

Key management personnel	Capacity	Tranche 1	Tranche 2	Tranche 3	Total option granted
David Buckingham	Non-executive chairman	1,000,000	1,000,000	1,000,000	3,000,000
Stephen Cornish	Managing director	3,300,000	3,300,000	3,300,000	9,900,000
Timothy Cornish	Executive director	2,200,000	2,200,000	2,200,000	6,600,000
Dalton Gooding	Non-executive director	800,000	800,000	800,000	2,400,000
Craig Amos	Non-executive director	600,000	600,000	600,000	1,800,000
Patrick Holywell	Company secretary	200,000	200,000	200,000	600,000
Mart-Marie Derman	Chief financial officer	500,000	500,000	500,000	1,500,000
		8,600,000	8,600,000	8,600,000	25,800,000

Each Option (unless otherwise specified) will have an exercise price as set out below (Exercise Price) and will expire at 5.00pm (AWST) on 30 June 2024 (Expiry Date). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

Key management personnel	Capacity	Fair value at grant date: Tranche 1	Fair value at grant date: Tranche 2	Fair value at grant date: Tranche 3	Total fair value of option granted
		\$	\$	\$	\$
David Buckingham	Non-executive chairman	157,490	148,130	134,000	439,620
Stephen Cornish	Managing director	519,717	488,829	442,200	1,450,746
Timothy Cornish	Executive director	346,478	325,886	294,800	967,164
Dalton Gooding	Non-executive director	125,992	118,504	107,200	351,696
Craig Amos	Non-executive director	94,494	88,878	80,400	263,772
Patrick Holywell	Company secretary	31,498	29,626	26,800	87,924
Mart-Marie Derman	Chief financial officer	78,745	74,065	67,000	219,810
		1,354,414	1,273,918	1,152,400	3,780,732

For the options granted during the reporting period ending 30 June 2021, the valuation model inputs used to determine the fair value at the grant date are as follows:

	Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk-free interest rate
Tranche 1	27/11/2020	30/06/2024	0.250	0.300	100%	0	0.81%
Tranche 2	27/11/2020	30/06/2024	0.250	0.370	100%	0	0.81%
Tranche 3	27/11/2020	30/06/2024	0.250	0.500	100%	0	0.81%

Other transactions with key management personnel and their related parties:

Pentanet Ltd spent \$69,106 with DFK Gooding Partners for accounting and tax advisory services during the year, on commercial terms and market rates, which is a director related entity (Dalton Gooding), with a \$55,129 balance relating to this fee outstanding as at 30 June 2021.

Pentanet Ltd spent \$74,778 with The Cornish Property Trust for rent of commercial property during the year, on commercial terms and market rates, which is a related party of a director related entity (Stephen Cornish and Timothy Cornish), with no balance relating to this fee outstanding as at 30 June 2021.

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

During the financial year, the Company paid a premium in respect of a contract to ensure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined below:

	Consolidated	
	2021	2020
	\$	\$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	<u>74,777</u>	<u>28,500</u>
<i>Other services - BDO Corporate Finance (WA) Pty Ltd</i>		
Independent limited assurance report	<u>13,596</u>	<u>-</u>
	<u>88,373</u>	<u>28,500</u>

The directors are satisfied that the provision of non-audit services during the financial year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

PENTANET LTD
DIRECTORS' REPORT
30 June 2021

Auditor's independence declaration

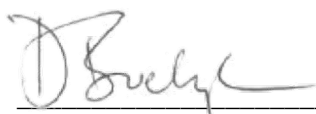
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in dark ink, appearing to read 'D Buckingham', is written over a horizontal line.

David Buckingham
Non-executive chairman

25 August 2021
Perth



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF PENTANET LIMITED

As lead auditor of Pentanet Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pentanet Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', with a long horizontal stroke extending to the right.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 25 August 2021

PENTANET LTD
CONTENTS
30 June 2021

Consolidated statement of profit or loss and other comprehensive income	23
Consolidated statement of financial position	24
Consolidated statement of changes in equity	25
Consolidated statement of cash flows	26
Notes to the consolidated financial statements	27
Directors' declaration	62
Independent auditor's report to the members of Pentanet Ltd	63

General information

The financial statements cover Pentanet Ltd as a consolidated entity consisting of Pentanet Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Pentanet Ltd's functional and presentation currency.

Pentanet Ltd is a listed public Company limited by shares, incorporated, and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Unit 2 / 8 Corbusier Place, Balcatta 6021, WA

Principal place of business

Unit 2 / 8 Corbusier Place, Balcatta 6021, WA

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2021. The directors have the power to amend and reissue the financial statements.

PENTANET LTD
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	Consolidated 2021 \$'000	2020 \$'000
Revenue	4	10,917	4,997
Other income	5	166	100
Total revenue		<u>11,083</u>	<u>5,097</u>
Expenses	6		
Network, carrier, and hardware expenses		(6,175)	(3,126)
Employee benefits expense		(5,569)	(2,660)
Share-based payments		(4,500)	(1,108)
Other expenses		(3,129)	(2,128)
Earnings before finance cost, tax, depreciation, and amortisation expenses		<u>(8,290)</u>	<u>(3,925)</u>
Finance costs		(3,899)	(155)
Depreciation and amortisation expense		(1,508)	(1,031)
Loss before income tax expense		<u>(13,697)</u>	<u>(5,111)</u>
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Pentanet Ltd	29	<u>(13,697)</u>	<u>(5,111)</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Pentanet Ltd		<u>(13,697)</u>	<u>(5,111)</u>
Basic and diluted (loss) per share attributable to owners of Pentanet Ltd		<u>Cents (0.07)</u>	<u>Cents (0.04)</u>

The above-consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

PENTANET LTD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	Consolidated 2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	32,705	1,273
Trade and other receivables	9	116	133
Inventories	10	163	78
Deposits and prepayments	11	397	255
Total current assets		<u>33,381</u>	<u>1,739</u>
Non-current assets			
Property, plant, and equipment	12	9,229	3,829
Right-of-use assets	13	1,546	1,669
Intangibles	14	9,041	362
Total non-current assets		<u>19,816</u>	<u>5,860</u>
Total assets		<u>53,197</u>	<u>7,599</u>
Liabilities			
Current liabilities			
Trade and other payables	15	2,636	1,271
Contract liabilities	16	80	149
Employee benefits	17	227	102
Other liabilities	18	380	82
Lease liabilities	19	479	413
Borrowings	20	-	2,775
Total current liabilities		<u>3,802</u>	<u>4,792</u>
Non-current liabilities			
Contract liabilities	16	23	27
Employee benefits	17	53	2
Other liabilities	18	6,959	118
Lease liabilities	19	1,008	1,146
Total non-current liabilities		<u>8,043</u>	<u>1,293</u>
Total liabilities		<u>11,845</u>	<u>6,085</u>
Net assets		<u>41,352</u>	<u>1,514</u>
Equity			
Reserves	21	5,568	1,108
Issued capital	22	57,214	8,139
Accumulated losses	23	<u>(21,430)</u>	<u>(7,733)</u>
Total equity		<u>41,352</u>	<u>1,514</u>

The above-consolidated statement of financial position should be read in conjunction with the accompanying notes.

PENTANET LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2021

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2019	5,182	-	(2,622)	2,560
Loss after income tax expense for the year	-	-	(5,111)	(5,111)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(5,111)	(5,111)
Transactions with owners in their capacity as owners:				
Issue of shares	3,120	-	-	3,120
Share issue costs	(163)	-	-	(163)
Share-based payment expense	-	1,108	-	1,108
Balance at 30 June 2020	8,139	1,108	(7,733)	1,514
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2020	8,139	1,108	(7,733)	1,514
Loss after income tax expense for the year	-	-	(13,697)	(13,697)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(13,697)	(13,697)
Transactions with owners in their capacity as owners:				
Issue of shares	51,381 ⁴	-	-	51,381
Share issue costs	(2,306)	-	-	(2,306)
Share-based payment expense	-	4,460	-	4,460
Balance at 30 June 2021	57,214	5,568	(21,430)	41,352

The above-consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

⁴ Issue of shares include the following shares that were issued for no consideration:

On 11 December 2020, 23,387,509 Shares were issued upon the conversion of Convertible Notes and accrued interest.

On 11 December 2020, 5,215,000 shares were issued on the conversion of unlisted employee share options with an exercise price of \$0.028 each, expiring on 31 December 2020 as part of employee's remuneration.

On 11 December 2020, 3,060,000 shares were issued on the conversion of unlisted employee share options with an exercise price of \$0.13 each, expiring on 30 June 2021 as part of employee's remuneration.

PENTANET LTD
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2021

	Note	Consolidated 2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,863	5,062
Payments to suppliers and employees (inclusive of GST)		<u>(14,172)</u>	<u>(7,153)</u>
		(3,309)	(2,091)
Other income		166	-
Interest and other finance costs paid		<u>(76)</u>	<u>(155)</u>
Net cash used in operating activities	8	<u>(3,219)</u>	<u>(2,246)</u>
Cash flows from investing activities			
Payments for property, plant, and equipment		(5,064)	(2,053)
Payments for intangibles		<u>(1,828)</u>	<u>(182)</u>
Net cash used in investing activities		<u>(6,892)</u>	<u>(2,235)</u>
Cash flows from financing activities			
Proceeds from issue of shares	22	43,698	3,120
Share issue transaction costs		(2,305)	(163)
Proceeds from the exercise of options		501	-
Repayment of borrowings		-	2,661
Payment of lease liabilities		<u>(351)</u>	<u>(445)</u>
Net cash from financing activities		<u>41,543</u>	<u>5,173</u>
Net increase in cash and cash equivalents		31,432	692
Cash and cash equivalents at the beginning of the financial year		<u>1,273</u>	<u>581</u>
Cash and cash equivalents at the end of the financial year	8	<u>32,705</u>	<u>1,273</u>

The above-consolidated statement of cash flow should be read in conjunction with the accompanying notes.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pentanet Ltd ('Company' or 'parent entity') as at 30 June 2021, and the results of all subsidiaries for the year then ended. Pentanet Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets, including goodwill, liabilities, and non-controlling interest in the subsidiary, together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The group operates in two segments: internet and telecommunication services and gaming technology within Australia.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Pentanet Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price, which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered, and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The consolidated entity principally generates revenue from providing wireless and fibre broadband services. The provision of wireless communication services includes initial installation of associated network infrastructure. The typical length of a contract for wireless broadband services is 12-24 months. The provision of fibre communication services does not require the installation of network infrastructure.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

For bundled packages, the group accounts for individual products and services separately if they are distinct - i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the group sells the devices and services. For items that are not sold separately, the group estimates stand-alone selling prices using the adjusted market assessment approach.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on a fixed price.

Revenue from the provision of wireless broadband services is recognised monthly over the expected life of the contract, including any expected extensions of the service. Installation of the internet service is not distinct from the provision of internet service as the customer cannot benefit from either the broadband service or installation alone. The installation and broadband service are therefore identified as a single performance obligation, and the associated revenue is recognised over time.

Revenue from the provision of fibre broadband services is recognised each month the service is made available to the consumer.

Revenue from the provision of telecommunication services relating to NBN service is recognised each month the service is made available to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

Research and Development/Grants

Research and Development incentives and other grant incentives are recognised when grant criteria are met.

Disposal of assets

Revenue from the disposal of other assets is recognised when the group has transferred the risks and rewards of ownership to the buyer.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received, and all grant conditions are met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered, or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant, and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Network infrastructure	2-10 years
Leasehold improvements	5 years
Plant and equipment	5-10 years

The residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each reporting date.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

At the inception of a contract, the Group assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use;
- and
- the group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on a reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease and non-lease component on the basis of relative stand-alone prices.

Measurement

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to an impairment or adjusted for any remeasurement of lease liabilities.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Class of right of use asset: Network infrastructure

Useful life: 2-10 years

Depreciation method: straight-line basis

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trademarks

Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 - 10 years

Intellectual Property

Intellectual Property acquired through a separate acquisition is recorded at cost. Intangible assets with indefinite lives are measured at cost less any accumulated impairment, where applicable, as indicated during annual impairment testing.

Licenses

Significant costs associated with licenses are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 - 15 years.

Other Intangible Assets

Other intangible assets that have finite lives are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite lives are measured at cost less any accumulated impairment, where applicable, as indicated during annual impairment testing.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond, and this amount is carried as a current liability at fair value until extinguished on conversion or redemption. Changes in the fair value of the liability are recognised as a finance cost.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of the lease unless the group is reasonably certain not to terminate early.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date, are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, the experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date, less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum, an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date, and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Pentanet Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from or payable to the tax authority are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Other indefinite life intangible assets

The consolidated entity tests annually, or more frequently, if events or changes in circumstances indicate impairment, whether other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and a lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option or not to exercise a termination option are considered at the lease commencement date. Factors considered may include the importance of the asset to the group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; the existence of significant leasehold improvements; and the costs and disruption to replace the asset. The group reassesses whether it is reasonably certain to exercise an extension option or not exercise a termination option if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-us asset, with similar terms, security and economic environment.

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into two operating segments: provision of internet and telecommunication services and gaming technology within Australia. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Major customers

There were no major customers in 2021 or 2020 that contributed more than 5% of revenue.

Operating segments

The directors have chosen to organise the group around the three main business units in which the group operates. Specifically, the group's reportable segments under AASB 8 are as follows:

> Internet and related services

> Gaming subscription services

The reportable segments represent the group's cash-generating units for impairment testing purposes, with other income and costs being allocated to the two cash-generating units.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 3. OPERATING SEGMENTS (CONTINUED)

Operating segment information

	Internet services \$'000	Gaming subscription services \$'000	Total \$'000
Consolidated - 2021			
Revenue			
Revenue	10,917	-	10,917
Total revenue	<u>10,917</u>	<u>-</u>	<u>10,917</u>
EBITDA⁵	(8,035)	(255)	(8,290)
Depreciation and amortisation	(1,508)	-	(1,508)
Finance costs	(3,899)	-	(3,899)
Loss before income tax expense	<u>(13,442)</u>	<u>(255)</u>	<u>(13,697)</u>
Income tax expense	-	-	-
Loss after income tax expense	<u>(13,442)</u>	<u>(255)</u>	<u>(13,697)</u>
Assets			
Segment assets	50,119	3,078	53,197
Total assets	<u>50,119</u>	<u>3,078</u>	<u>53,197</u>

NOTE 4. REVENUE

	Consolidated	
	2021	2020
	\$'000	\$'000
Rendering of services - telecommunication services	616	417
Rendering of services - recurring network revenue	9,511	4,110
Sale of goods	790	470
Revenue	<u>10,917</u>	<u>4,997</u>

Revenue from contracts with customers is recognised over time, excluding the sale of goods.

NOTE 5. OTHER INCOME

	Consolidated	
	2021	2020
	\$'000	\$'000
Australian tax office - COVID19 grants	166	100

⁵ EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude, share based expenses, cost of options exercised on behalf of staff and IPO related costs. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 6. EXPENSES

	Consolidated	
	2021	2020
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
Network, carrier and hardware expenses	6,175	3,126
<i>Depreciation</i>		
Leasehold Improvements	28	5
Plant and Equipment	176	105
Network Infrastructure	684	432
Right of use assets	495	412
Total depreciation	1,383	954
<i>Amortisation</i>		
Amortisation	125	77
Total depreciation and amortisation	1,508	1,031
<i>Finance costs</i>		
Finance cost on loans	23	38
Finance cost on leases	53	56
Finance cost on convertible notes	3,823	61
Finance costs expensed	3,899	155
<i>Superannuation expense</i>		
Defined contribution superannuation expense	323	218
<i>Share-based payments expense</i>		
Share-based payments expense	4,500	1,108
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	5,246 ⁶	2,422
Advertising and promotion	1,112	1,213
Legal and professional services	228	128
IPO related cost	293	-
Other operating expenses	1,496	787
Other expenses	3,129	2,128

⁶ Included in employee benefit expense is \$977,313 and \$66,494 relating to 8,275,000 options exercised on behalf of staff as remuneration.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 7. INCOME TAX EXPENSE

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(13,697)</u>	<u>(5,111)</u>
Tax at the statutory tax rate of 26% (2020: 27.5%)	(3,561)	(1,406)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Add: other non-allowable items	1,203	329
Less: Current net deferred tax asset not recognised	<u>(2,358)</u>	<u>(1,077)</u>
	(4,716)	(2,153)
Current year tax losses not recognised	6,489	2,847
Unrecognised deferred tax relating to tax losses	(2,358)	(1,076)
Unrecognised deferred tax relating to temporary differences	585	382
Total deferred tax asset not brought to account	<u>(1,773)</u>	<u>(694)</u>
Income tax expense	-	-
The applicable weighted average effective tax rates are as follow	<u>0%</u>	<u>0%</u>

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2021	2020
	\$'000	\$'000
Cash at bank	32,705	1,273

Reconciliation of loss after income tax to net cash used in operating activities:

	Consolidated	
	2021	2020
	\$'000	\$'000
Loss after income tax expense for the year	(13,697)	(5,111)
Adjustments for:		
Depreciation and amortisation	1,508	1,031
Interest expense	3,823	-
Share-based payments	4,500	1,108
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	19	(69)
Increase in inventories	(85)	(50)
Increase in prepayments	(142)	(81)
Increase in trade and other payables	752	835
Increase/(decrease) in contract liabilities	(73)	35
Increase in employee benefits	176	56
Net cash used in operating activities	(3,219)	(2,246)

Non-cash investing and financing activities

Additions to the right-of use assets	502	531
Exercise of employee share options	544	-
Conversion of convertible notes and exercise of options	5,161	-
Conversion of convertible notes	685	-
	6,892	531

NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2021	2020
	\$'000	\$'000
Trade receivables	117	133
Less: Allowance for expected credit losses	(5)	(15)
	112	118
Other receivables	4	15
	116	133

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONTINUED)

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021	2020	2021	2020	2021	2020
	%	%	\$'000	\$'000	\$'000	\$'000
Not past due	1%	1%	96	108	1	1
0-30 days past due	1%	1%	13	18	-	-
31-60 days past due	9%	11%	5	(8)	-	(1)
61-90 days past due	61%	60%	6	15	4	9
More than 90 days past due	31%	43%	1	15	-	6
			<u>121</u>	<u>148</u>	<u>5</u>	<u>15</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2021	2020
	\$'000	\$'000
Opening balance	15	5
Additional provisions recognised	21	26
Receivables written off during the year as uncollectable	<u>(31)</u>	<u>(16)</u>
Closing balance	<u>5</u>	<u>15</u>

Allowance for expected credit losses:

The Consolidated Entity has recognised a loss of \$4,542 (\$15,429 as at 30 June 2020) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

Impact of COVID-19 on the allowance for expected credit losses calculation:

Management is aware that COVID-19 is likely to disrupt and negatively impact economic activity, and we expect financial markets to continue being volatile. However, the telecommunication services sector is classified as an essential service that is, to an extent, insulated from the impact of the COVID-19 restrictions. Accordingly, the management approach will remain conservative in assessing current and forecast credit conditions and determining default rates on debtors' balances.

NOTE 10. CURRENT ASSETS - INVENTORIES

	Consolidated	
	2021	2020
	\$'000	\$'000
Finished goods - at cost	<u>163</u>	<u>78</u>

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 11. CURRENT ASSETS - DEPOSITS AND PREPAYMENTS

	Consolidated	
	2021	2020
	\$'000	\$'000
Prepayments	359	217
Security deposits	38	38
	<u>397</u>	<u>255</u>

NOTE 12. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2021	2020
	\$'000	\$'000
Leasehold improvements - at cost	124	30
Less: Accumulated depreciation	(34)	(6)
	<u>90</u>	<u>24</u>
Plant and equipment - at cost	1,251	784
Less: Accumulated depreciation	(334)	(158)
	<u>917</u>	<u>626</u>
Network infrastructure - at cost	9,483	3,838
Less: Accumulated depreciation	(1,261)	(659)
	<u>8,222</u>	<u>3,179</u>
	<u>9,229</u>	<u>3,829</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$'000	Plant and equipment \$'000	Network infrastructure \$'000	Total \$'000
Balance at 1 July 2019	15	292	2,093	2,400
Additions	14	466	1,606	2,086
Disposals	-	(27)	(88)	(115)
Depreciation expense	(5)	(105)	(432)	(542)
Balance at 30 June 2020	24	626	3,179	3,829
Additions	94	467	6,155	6,716
Disposals	-	-	(428)	(428)
Depreciation expense	(28)	(176)	(684)	(888)
Balance at 30 June 2021	<u>90</u>	<u>917</u>	<u>8,222</u>	<u>9,229</u>

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 13. NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS

	Consolidated	
	2021	2020
	\$'000	\$'000
Office lease - right-of-use	279	279
Less: Accumulated depreciation	(179)	(119)
	<u>100</u>	<u>160</u>
Network infrastructure - right-of-use	2,295	1,971
Less: Accumulated depreciation	(849)	(462)
	<u>1,446</u>	<u>1,509</u>
	<u>1,546</u>	<u>1,669</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Network infrastructure \$'000	Office lease \$'000	Total \$'000
Balance at 1 July 2019	1,325	220	1,545
Additions	531	-	531
Depreciation expense	(347)	(60)	(407)
Balance at 30 June 2020	1,509	160	1,669
Additions	502	-	502
Disposals	(130)	-	(130)
Depreciation expense	(435)	(60)	(495)
Balance at 30 June 2021	<u>1,446</u>	<u>100</u>	<u>1,546</u>

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 14. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	2021	2020
	\$'000	\$'000
Trademarks and design - at cost	47	22
Less: Accumulated amortisation	(1)	-
	<u>46</u>	<u>22</u>
Software - at cost	241	154
Less: Accumulated amortisation	(149)	(68)
	<u>92</u>	<u>86</u>
Other intangible assets - at cost	273	270
Less: Accumulated amortisation and impairment	(29)	(16)
	<u>244</u>	<u>254</u>
Licenses - at cost ⁽¹⁾	8,689	-
Less: Accumulated amortisation	(30)	-
	<u>8,659</u>	<u>-</u>
	<u>9,041</u>	<u>362</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Trademark and design \$'000	Software \$'000	Licenses \$'000	Other \$'000	Total \$'000
Balance at 1 July 2019	13	6	-	162	181
Additions	9	148	-	108	265
Amortisation expense	-	(68)	-	(9)	(77)
Impairment			-	(7)	(7)
	<u>22</u>	<u>86</u>	<u>-</u>	<u>254</u>	<u>362</u>
Balance at 30 June 2020	22	86	-	254	362
Additions	25	87	8,689 ⁽¹⁾	3	8,804
Amortisation expense	(1)	(81)	(30)	(13)	(125)
	<u>46</u>	<u>92</u>	<u>8,659</u>	<u>244</u>	<u>9,041</u>
Balance at 30 June 2021	46	92	8,659	244	9,041

(1) Included in \$8.7m additions to licenses is a 15-year Spectrum license Pentanet secured in the April 2021 auction conducted by the ACMA. The winning price that Pentanet paid for the license is \$7,986,200 AUD (cost)

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2021	2020
	\$'000	\$'000
Trade payables	2,030	759
BAS payable	163	-
Other payables	443	512
	<u>2,636</u>	<u>1,271</u>

The carrying amounts of trade and other payables are the same as their fair values due to their short-term nature. Refer to note 25 for further information on financial instruments.

NOTE 16. CONTRACT LIABILITIES

	Consolidated	
	2021	2020
	\$'000	\$'000
Current liabilities - contract liabilities	80	149
Non-current liabilities - contract liabilities	23	27
	<u>103</u>	<u>176</u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated	
	2021	2020
	\$'000	\$'000
Opening balance	177	142
Payments received in advance	203	212
Transfer to revenue - included in the opening balance	(277)	(178)
	<u>103</u>	<u>176</u>

For the internet service revenue stream, there are two performance obligations, the delivery of hardware to facilitate connection and internet service. Payments are received as part of the delivery and installation process, and then services are settled monthly. Amounts received in relation to installations is combined with expected monthly payments for the total transaction price. Installation is not considered to be a separate performance obligation as the customer does not obtain any benefit at the point of installation and is therefore not distinct and bundled with the provision of wireless broadband.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 16. CURRENT LIABILITIES - CONTRACT LIABILITIES (CONTINUED)

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$103,000 as at 30 June 2021 (\$176,174 as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2021	2020
	\$'000	\$'000
Within one year	80	62
Between One and Two years	18	92
Between Two and Five years	5	22
	<u>103</u>	<u>176</u>

NOTE 17. EMPLOYEE BENEFITS

	Consolidated	
	2021	2020
	\$'000	\$'000
Current liabilities – employee benefits	227	102
Non-current liabilities – employee benefits	53	2

Amounts not expected to be settled within the next 12 months:

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances.

The entire amount is presented as current since the group does not have an unconditional right to defer settlement. However, based on experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2021	2020
	\$'000	\$'000
Employee benefits obligation to be settled after 12 months	<u>53</u>	<u>2</u>

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 18. OTHER LIABILITIES

	Consolidated	
	2021	2020
	\$'000	\$'000
Term purchase motor vehicle	256	82
Intangible asset finance	124	-
Total current other liabilities	380	82
Term purchase motor vehicle	225	118
Intangible asset finance ⁽¹⁾	6,734	-
Total non-current other liabilities	6,959	118
	7,339	200

(1) Description of Intangible asset finance

The group purchased a 15-year Spectrum license in the April 2021 auction conducted by the ACMA for \$7,986,200 (Cost). (Ref. Note 14. Non-current assets – Licenses). The group elected to pay the license fee over five equal instalments per the ACMA's allocation determination.

The group paid the first instalment on 25 June 2021. The remainder of the four instalments is payable over four years.

Refer to note 25 for further information on financial instruments.

NOTE 19. LEASE LIABILITIES

	Consolidated	
	2021	2020
	\$'000	\$'000
Current Lease liability	479	413
Non-current lease liabilities	1,008	1,146
Total lease liabilities	1,487	1,559

Description of Lease Arrangements

The group leases land and buildings for its office spaces as well as network infrastructure. The typical lease period of these leases is summarised below. Where leases include an option to renew the lease after the end of the contract term, the Group assesses whether it is reasonably certain to exercise the extension options at the lease commencement. In addition, it reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Lease category	Term of lease	Renewal option available
Building	5 Years	2 Years
Network infrastructure	2-10 Years	5 Years

Refer to note 25 for further information on financial instruments.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 20. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	2021	2020
	\$'000	\$'000
Convertible notes payable	-	2,775

Convertible Notes

Convertible notes held by various lenders were converted to shares prior to the Company's admission to the ASX. As a result, 23,387,509 Shares were issued at \$0.25 upon the conversion of Convertible Notes (and accrued interest), and 6,256,427 Shares were issued at \$0.25 upon exercise of all Convertible Note Options.

On 9 April 2020, the Group issued 2,440,000 convertible notes convertible into fully paid ordinary shares in the capital of the Group with a combined face value of \$2,440,000 and 6,256,427 free-attaching options to acquire Shares on the basis of 1 Option for every 3 Shares. Each Note has an individual face value of \$1 and is redeemable 1 year after the date of their issue unless converted into shares beforehand. Interest is payable on the Individual Face Value of each Note on Maturity Date, at the interest rate of 10% per annum.

Noteholders were granted security over all of the Group's present and after-acquired property to secure all debts and monetary liabilities owed to Noteholders.

Noteholders may elect to convert Notes and any capitalised or accrued interest due and payable to Noteholders into Shares prior to or on the Maturity date at a conversion rate of \$0.13. However, if the Group offers to issue Shares at a price less than \$0.13 per Share prior to the Maturity Date (Subsequent Capital Raising), subject to all necessary approvals, the Conversion Price is 90% of the issue price of Share offered by the Group under the Subsequent Capital Raising.

On 31 July 2018, the Group issued 2,741,342 convertible notes convertible into fully paid ordinary shares in the capital of the Group with a combined face value of \$274,134.

Each Note has an individual face value of \$1 and is redeemable after 4 years or 1 business day prior to any initial public offering date. Interest is payable on the Individual Face Value of each Note payable monthly in advance, at the interest rate of 10% per annum. Noteholders may elect to convert Notes and any capitalised or accrued interest due and payable to Noteholders into Shares prior to or on the Maturity date at a conversion rate of \$0.10 per Share.

Refer to note 25 for further information on financial instruments.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 21. EQUITY - RESERVES

	Consolidated	
	2021	2020
	\$'000	\$'000
Share-based payments reserve	<u>5,568</u>	<u>1,108</u>

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Issued capital \$'000	Reserves \$'000	Total \$'000
Balance at 1 July 2019	5,182	-	5,182
Issue of shares	3,120	-	3,120
Share issue costs	(163)	-	(163)
Share-based payments expense	<u>-</u>	<u>1,108</u>	<u>1,108</u>
Balance at 30 June 2020	8,139	1,108	9,247
Issue of shares	51,381	-	51,381
Share issue costs	(2,306)	-	(2,306)
Share-based payments expense	<u>-</u>	<u>4,460</u>	<u>4,460</u>
Balance at 30 June 2021	<u>57,214</u>	<u>5,568</u>	<u>62,782</u>

Nature and purpose of reserves

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personal, as part of their remuneration. Refer to Note 34 for further details of these plans.

NOTE 22. EQUITY - ISSUED CAPITAL

	Consolidated		
	2021	2020	2021
	Shares	Shares	\$'000
Ordinary shares - fully paid	<u>294,797,713</u>	<u>131,750,999</u>	<u>57,214</u>
			<u>8,139</u>

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 22. EQUITY - ISSUED CAPITAL (CONTINUED)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2019	107,751,000		5,182
Ordinary shares issued		23,999,999	\$0.13	3,120
Share issue transaction cost				(163)
Balance	30 June 2020	131,750,999		8,139
Conversion of convertible notes and exercise of options	11 December 2020	26,902,594	\$0.25	6,726
Conversion of convertible notes	11 December 2020	2,741,342	\$0.25	685
Exercise of options	11 December 2020	1,500,000	\$0.15	225
Exercise of employee share options	11 December 2020	2,000,000	\$0.10	200
Exercise of employee share options	11 December 2020	5,215,000	\$0.03	146
Exercise of employee share options	11 December 2020	3,060,000	\$0.13	398
Ordinary shares issued under IPO offer	7 January 2021	89,840,000	\$0.25	22,460
Ordinary shares issued to employees	7 January 2021	160,000	\$0.25	40
Exercise of employee share options	12 March 2021	200,000	\$0.13	26
Ordinary shares	18 June 2021	27,777,778	\$0.72	20,000
Exercise of employee share options	29 June 2021	3,650,000	\$0.13	475
Share issue transaction cost				(2,306)
Balance	30 June 2021	294,797,713		57,214

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value, and the Company does not have a limited amount of authorised capital.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

When managing capital, the consolidated entity's objectives are to safeguard its ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders and maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or Company was seen as value-adding relative to the current Company's share price at the time of the investment. However, the consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants, and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 26 August 2021 Annual Financial Statements.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 23. EQUITY - ACCUMULATED LOSSES

	Consolidated	
	2021	2020
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(7,733)	(2,622)
Loss after income tax expense for the year	<u>(13,697)</u>	<u>(5,111)</u>
Accumulated losses at the end of the financial year	<u><u>(21,430)</u></u>	<u><u>(7,733)</u></u>

NOTE 24. EQUITY - DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

NOTE 25. FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls, and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board monthly.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The consolidated entity does not have any material future commercial transactions not denominated in the entity's functional currency.

Price risk

The consolidated entity is not exposed to any significant price risk. The majority of customers in each entity sign up to a contract term with an agreed price.

Interest rate risk

The Consolidated Entity has limited Interest rate risk, with a fixed rate on loans.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 25. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates, and available forward-looking information.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021	2020	2021	2020	2021	2020
Consolidated	%	%	\$'000	\$'000	\$'000	\$'000
Not past due	0.9%	1.0%	93	94	1	1
0-30 days past due	0.7%	0.9%	13	18	-	0
31-60 days past due	9.0%	10.5%	5	(8)	-	(1)
61-90 days past due	61.0%	59.7%	5	15	4	9
More than 90 days past due	31.5%	42.5%	1	15	-	6
			117	134	5	15

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2021	2020
	\$'000	\$'000
Opening balance	15	5
Additional provisions recognised	21	26
Receivables written off during the year as uncollectable	(31)	(16)
Closing balance	5	15

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 25. FINANCIAL INSTRUMENTS (CONTINUED)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities, and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	2,030	-	-	-	2,030
Other payables	-	605	-	-	-	605
Term purchase and other finance arrangements	2.88%	390	1,880	3,591	1,623	7,484
Lease liability	3.50%	503	496	447	87	1,533
Total non-derivatives		<u>3,528</u>	<u>2,376</u>	<u>4,038</u>	<u>1,710</u>	<u>11,652</u>

Consolidated - 2020	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	759	-	-	-	759
Other payables	-	511	-	-	-	511
Convertible notes payable	10.00%	2775	-	-	-	2,775
Term purchase and other finance arrangements	4.90%	82	81	22	16	201
Lease liability	3.50%	314	327	542	-	1,183
Total non-derivatives		<u>4,441</u>	<u>408</u>	<u>564</u>	<u>16</u>	<u>5,429</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 26. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	1,000,539	386,439
Post-employment benefits	60,249	36,301
Share-based payments	3,825,296	248,426
	<u>4,886,084</u>	<u>671,166</u>

Short-term Employee benefits

These amounts include all salary, paid leave benefits and fringe benefits paid to directors and key management personnel

Post-employment benefits

These amounts are the superannuation payment made during the year.

NOTE 27. REMUNERATION OF AUDITORS

During the financial year, the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the Company, and unrelated firms:

	Consolidated	
	2021	2020
	\$	\$
<i>Audit services - BDO Audit (WA) Pty Ltd</i>		
Audit or review of the financial statements	<u>74,777</u>	<u>28,500</u>
<i>Other services - BDO Corporate Finance (WA) Pty Ltd</i>		
Independent limited assurance report	<u>13,596</u>	<u>-</u>
	<u>88,373</u>	<u>28,500</u>

NOTE 28. RELATED PARTY TRANSACTIONS

Parent entity

Pentanet Ltd is the parent entity.

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiaries in accordance with the accounting policy described in Note 1:

Name of subsidiary	Principle place of business	Ownership interest held by the group	
		2021	2020
		%	%
Pentanet.GG Pty Ltd	Perth, Australia	100	100
Pentatech Pty Ltd	Perth, Australia	100	100
Pentacomm Pty Ltd	Perth, Australia	100	100

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 28. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Directors are listed in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Transactions:		
DFK Gooding Partners	69,106	4,675
The Cornish Property Trust	<u>74,778</u>	<u>74,778</u>

	Consolidated	
	2021	2020
	\$	\$
Current payables:		
Trade payables to other related party	<u>55,129</u>	<u>1,145</u>

Pentanet Ltd spent \$69,106 with DFK Gooding Partners during the year on commercial terms and market rates, which is a director related entity (Dalton Gooding), with a \$55,129 balance relating to this fee outstanding as at 30 June 2021.

Pentanet Ltd spent \$74,778 with The Cornish Property Trust during the year on commercial terms and market rates, which is a related party of a director related entity (Stephen Cornish and Timothy Cornish), with no balance relating to this fee outstanding as at 30 June 2021.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 28. RELATED PARTY TRANSACTIONS (CONTINUED)

On the 27th of November 2020, Pentanet Ltd issued the following options to directors:

Key management personnel	Capacity	Tranche 1	Tranche 2	Tranche 3	Total option granted
David Buckingham	Non-executive chairman	1,000,000	1,000,000	1,000,000	3,000,000
Stephen Cornish	Managing director	3,300,000	3,300,000	3,300,000	9,900,000
Timothy Cornish	Executive director	2,200,000	2,200,000	2,200,000	6,600,000
Dalton Gooding	Non-executive director	800,000	800,000	800,000	2,400,000
Craig Amos	Non-executive director	600,000	600,000	600,000	1,800,000
Patrick Holywell	Company secretary	200,000	200,000	200,000	600,000
Mart-Marie Derman	Chief financial officer	500,000	500,000	500,000	1,500,000
		8,600,000	8,600,000	8,600,000	25,800,000¹

Each Option (unless otherwise specified) will have an exercise price as set out below (Exercise Price) and will expire at 5.00pm (AWST) on 30 June 2024 (Expiry Date). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(1) All options held at year end are vested and exercisable.

Key management personnel	Capacity	Fair value at grant date: Tranche 1	Fair value at grant date: Tranche 2	Fair value at grant date: Tranche 3	Total fair value of option granted
		\$	\$	\$	\$
David Buckingham	Non-executive chairman	157,490	148,130	134,000	439,620
Stephen Cornish	Managing director	519,717	488,829	442,200	1,450,746
Timothy Cornish	Executive director	346,478	325,886	294,800	967,164
Dalton Gooding	Non-executive director	125,992	118,504	107,200	351,696
Craig Amos	Non-executive director	94,494	88,878	80,400	263,772
Patrick Holywell	Company secretary	31,498	29,626	26,800	87,924
Mart-Marie Derman	Chief financial officer	78,745	74,065	67,000	219,810
		1,354,414	1,273,918	1,152,400	3,780,732

For the options granted during the reporting period ending 30 June 2021, the valuation model inputs used to determine the fair value at grant date, are as follows:

	Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk-free interest rate
Tranche 1	27/11/2020	30/06/2024	0.250	0.300	100%	0	0.81%
Tranche 2	27/11/2020	30/06/2024	0.250	0.370	100%	0	0.81%
Tranche 3	27/11/2020	30/06/2024	0.250	0.500	100%	0	0.81%

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 29. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	2020
	\$'000	\$'000
Loss after income tax	(13,325)	(4,798)
Total comprehensive income	(13,325)	(4,798)

Statement of financial position

	Parent	
	2021	2020
	\$'000	\$'000
Total current assets	33,357	1,733
Total assets	53,864	7,882
Total current liabilities	3,769	4,485
Total liabilities	11,824	6,050
Equity		
Issued capital	57,214	8,139
Share-based payments reserve	5,568	1,108
Accumulated losses	(20,742)	(7,415)
Total equity	42,040	1,832

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity, and its receipt may be an indicator of an impairment of the investment.

NOTE 30. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 31. CONTINGENT ASSETS

There are no Contingent Assets as at 30 June 2021.

NOTE 32. CONTINGENT LIABILITIES

There are no Contingent Liabilities as at 30 June 2021.

NOTE 33. COMMITMENTS

The Company is a party to the NVIDIA GeForce NOW Alliance Partner Agreement (NVIDIA Agreement) with NVIDIA dated 25 November 2020 (and amended on 8 December 2020). GeForce NOW (GFN) is NVIDIA's gaming PC in the cloud service (GFN Service) that streams a user's game library to the user's devices from the Company's data centres. The NVIDIA Agreement covers Australia (Territory).

Pursuant to the terms of the NVIDIA Agreement, the Company has the right to purchase up to 72 GFN Game Servers from NVIDIA (or its approved third party vendors) in a staggered approach. 36 GFN Game Servers make up a GFN Pod. The NVIDIA Agreement does not restrict the Company from purchasing more than two GFN Pods from NVIDIA over the course of its term.

The Company will pay NVIDIA a percentage revenue share (in USD).

The NVIDIA Agreement is for an initial term of 3 years, and unless one party notifies the other at least 1 month prior to the end of this initial term or any renewal period in force of its intent for the NVIDIA Agreement to expire at the end of the current term, will automatically renew for further 1 year periods, indefinitely. The NVIDIA Agreement can be terminated by either party for the other's (uncertifiable or notified but unrectified) material breach.

The NVIDIA Agreement otherwise contains terms and conditions that are considered standard for agreements of this nature.

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 34. EARNINGS PER SHARE

	Consolidated	
	2021	2020
	\$'000	\$'000
Loss after income tax attributable to the owners of Pentanet Ltd	(13,697)	(5,111)
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>198,447,409</u>	<u>127,805,794</u>
Adjusted for calculation of diluted earnings per share:		
Options over ordinary shares	<u>18,441,507</u>	<u>12,883,979</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>216,888,916</u>	<u>140,689,773</u>
Basic (loss) per share attributable to owners of Pentanet group	<u>(0.07)</u>	<u>(0.04)</u>

PENTANET LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2021

NOTE 35. SHARE-BASED PAYMENTS

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may grant options over ordinary shares in the group to certain personnel of the consolidated entity. Options granted carry no dividend or voting rights, nor do they carry any rights to participate in any issues of shares of the group or any other entity.

All options were granted over unissued fully paid ordinary shares in the group. Options vest based on the provision of service over the vesting period whereby the employee becomes beneficially entitled to the option on the vesting date and non-performance vesting conditions. Options are exercisable by the holder from the vesting date.

Set out below are summaries of options granted under the plan:

2021

Grant date	Expiry date	Exercise price \$	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
27/09/2019	5/04/2020	0.100	2,000,000	-	(2,000,000)	-	-
27/09/2019	31/12/2020	0.028	5,215,000	-	(5,215,000)	-	-
27/09/2019	28/02/2022	0.130	3,555,000	-	(2,555,000)	-	1,000,000
27/09/2019	30/06/2021	0.130	6,955,000	-	-	(6,955,000)	-
27/09/2019	30/06/2021	0.130	4,355,000	-	(4,355,000)	-	-
27/11/2020	30/06/2024	0.300	-	9,870,000	-	-	9,870,000
27/11/2020	30/06/2024	0.370	-	9,870,000	-	-	9,870,000
27/11/2020	30/06/2024	0.500	-	9,870,000	-	-	9,870,000
Balance as at 30 June 2021			<u>22,080,000</u>	<u>29,610,000</u>	<u>(14,125,000)</u>	<u>(6,955,000)</u>	<u>30,610,000</u>

The weighted average options exercise price of all unexercised options on issue at the end of 30 June 2021 was \$0.226
14,125,000 options were exercised, and 6,955,000 were cancelled during the year ending 30 June 2021

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3 years

For the options granted during the financial year ending 30 June 2021, the valuation model inputs used to determine the fair value at grant date are as follows:

Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date \$
27/11/2020	30/06/2024	0.250	0.300	100%	0	0.81%	0.1575
27/11/2020	30/06/2024	0.250	0.370	100%	0	0.81%	0.1480
27/11/2020	30/06/2024	0.250	0.500	100%	0	0.81%	0.1340

Share-based payment expense reconciliation

Issue of share options to directors and employees under incentive option scheme

Consolidated
2021
\$'000

2020

\$'000

4,500 995

PENTANET LTD
DIRECTORS' DECLARATION
30 June 2021

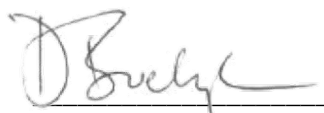
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in dark ink, appearing to read 'D. Buckingham', is written over a horizontal line.

David Buckingham
Non-Executive Chairman

25 August 2021
Perth



INDEPENDENT AUDITOR'S REPORT

To the members of Pentanet Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pentanet Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.



Revenue Recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
Refer to Note 4 of the financial report and Note 1 of the financial report for the accounting policy. Revenue recognition was determined to be a key audit matter due to the significance of revenue to the financial report and involved judgements and estimates made by management including whether contracts contain multiple performance obligations which should be accounted for separately and determine the most appropriate methods of recognition of revenue for the identified performance obligations. This comprises allocation of consideration to the individual performance obligations based on standalone pricing and whether the performance obligation is satisfied at a point in time or overtime.	Our procedures included, but were not limited to, the following: • Assessing the Group's accounting policy for revenue to ensure it has been correctly formulated in accordance with the Australian Accounting Standards; • Understanding and documenting the processes and controls used by the Group in recording revenue; • Checking a sample of revenue transactions to evaluate whether they were appropriately recorded as revenue ensuring the amounts recorded agreed to supporting evidence; • Performing cut-off procedures to ensure that revenue was captured in the appropriate financial year; and • Assessing the adequacy of the related disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 8 to 18 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Pentanet Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', written over a faint, stylized 'BDO' logo.

Glyn O'Brien

Director

Perth, 25 August 2021