



NEW NETWORK CAPACITY PUTS ON-NET HIGH-MARGIN SERVICES BACK ON THE MENU

HIGHLIGHTS:

- 25% YoY increase in revenue to \$5.0m (+6% QoQ)
- H1 FY23 revenue up 23% and \$1.8m YoY to \$9.7m
- \$4.9m in quarterly cash receipts from subscribers, up 14% YoY (+4% QoQ)
- On-net (Fixed Wireless) customers made up 39% of total subscribers.
- 17,056 telecommunications subscribers on 31 December 2022, up 15% YoY (+0.2% QoQ)
- 0.2% QoQ subscriber growth impacted by increased churn of off-net service subscribers, attributed to price increase which resulted in a 44% uplift in off-net services gross profit, and a delay in neXus activations due to mesh remediation and maintenance
- As at the end of January 2023, 319 units of 727 already installed neXus units are now online, with more being added consistently, using the service with an average of 98.8% uptime over the last month.
- Successful installation of the Company's first 5G enabled tower. 5G is projected to add 1,000 on-net capacity to each tower installed over FY23.
- 311,676 GeForce NOW cloud gaming memberships on 31 December 2022, up 405% YoY (+23% QoQ)

Pentanet Managing Director, Mr Stephen Cornish, said, "With our commitment to providing next level internet in Perth and a tremendous effort from the Pentanet team, we're pleased to share that neXus is working with a reported average uptime of 98.8% over the last month on active services, after a long trial period of this world-first technology.

"We have also completed the successful deployment of our first 5G enabled tower. This marks a significant milestone for Pentanet as we look to expand our on-net service offering to close the coverage and technology gap further. Testing phases for the 5G fixed-wireless technology have begun, and we expect to have it ready for service this financial year. This will expand our on-net service offering and grow coverage for higher-margin services.

"GeForce NOW cloud gaming continues to gain significant ground in the Australian market, as we continue to witness consistent growth for our paid and trial membership tiers. I am pleased with the team's efforts and we see a clear pathway to sustained success."

OPERATIONAL

Telecommunications

The Company's telecommunications revenue for Q2 FY23 increased 7% QoQ to \$4.8 million, with recurring revenue also experiencing a 5% jump to \$4.4 million during the same period. This growth is largely attributed to 136 of the Company's neXus services now being billed in December 2022 and a modest off-net services price increase. Gross profit for the quarter rose by 10% to over \$2.2 million, delivering a positive 47% margin overall.

Due to the prioritisation of network remediation for the new neXus launch, on-net subscriber growth was slower this quarter. With neXus now up and running, the Company expects growth in subscriber numbers in Q3 and Q4 as the Company activates the 727 already installed neXus units to increase subscriber growth. The Company also

implemented decisive cost control measures, which have allowed the Company to reduce the advertising-to-revenue ratio from 8% in Q1FY23 down to 5%, and overheads decreased by 2%, EBITDA losses subsequently declined by 20% QoQ, highlighting good progress towards closing the gap between overhead expenses and gross profit. In December 2023, the Company took further steps to reduce costs and maximise efficiency by reducing staff cost through redundancies. This move is expected to deliver 11% monthly recurring savings from January 2023 onwards. With other reductions in non-essential costs and expenses, the Company will continue to reduce operating losses in H2 FY23.

While average monthly customer churn increased from 1.26% to 1.38%, over half of this can be attributed specifically to the off-net price increases at the start of Q2FY23, which resulted in a 44% gross profit uplift on off-net services for the quarter. Additionally, on-net churn increased slightly from 0.95% to 1.11% in the quarter due to increased physical customer relocations.

Telecommunications – neXus & 5G

Significant progress on the neXus network rollout was made in Q2FY23, and neXus is now performing well, with an average of 98.8% service uptime over the last month. The Pentanet team have worked hard with vendors to remediate the hardware issues identified in the phase one rollout. The Company will now continue to activate all 727 installed units, of which 319 units are online as at the end of January 2023, and resume the staged deployment of new neXus connections in H2 FY23.

Pentanet's Operations team has also installed and begun testing its first 5G enabled telecommunications infrastructure utilising the Company's licensed 5G spectrum. Each 5G enabled tower is anticipated to increase on-net coverage by creating average capacity for an additional 1000 subscribers per tower. The Company aims to upgrade key strategic tower sites, based on demand, in a staged and controlled approach. The rollout of 5G infrastructure will enhance Pentanet's Perth-based wireless network coverage, and will seek to elevate existing customer service experience by alleviating capacity constraints on the traditional fixed wireless network. This will allow the Company to extract more value from existing infrastructure, increasing coverage in key strategic areas and on-net users.

GeForce NOW Cloud Gaming

In Q2FY23, GeForce NOW Powered by Pentanet delivered impressive growth metrics following the launch of four new subscription plans. Paid membership increased by 57% QoQ, while revenue increased by 15%. The platform continues to gain significant momentum, with registered memberships growing 23% QoQ to 311,676 (+405% YoY). The Company's focus over the coming calendar year is to convert more of these registered members into paying subscribers for GeForce Now.

In 2023, NVIDIA GeForce Now is expected to significantly expand its games library with the addition of monthly additions amounting to the hundreds of new games. Already leading its cloud gaming rivals in size and selection, the service will soon pass 1,500 titles - making it easily one of the most expansive on-demand offerings available for gamers¹.

NVIDIA GeForce NOW is becoming increasingly accessible; with expanded device compatibility and a growing library of gaming options, the Company anticipates growing demand for this cutting-edge platform from gamers across Australia.

(Note¹ Source: <https://clouddosage.com/stats/?table=games&derivative=false>)

FINANCIAL AND CORPORATE

Cash received from customers increased by 4% QoQ at \$4.9 million in Q2FY23 and with strong growth of 14% YoY. In Q2FY23, operating cash payments increased by 12% QoQ to \$6.4 million, driven mainly by an increase of 44% in staff costs attributed to redundancy payouts and additional fortnightly payments in November 2022.

The significant QoQ reduction of 52% in net cash in investing activities was mainly helped by the previous \$1.6 million payment of the Company's 15-year licence for the high band 5G spectrum in the 26 GHz band included in Q1FY23 (total cost \$8 million).

Q2FY23 net cash used in investing activities of \$1.5 million was invested towards procuring neXus hardware and radios for tower upgrades. The Company will use current stock levels to deliver neXus subscriber growth throughout FY23, not needing to draw on further capital. Additionally, the Company acquired 5G radio equipment for tower upgrades that will contribute an additional 1000 capacity per tower every eight weeks, delivering further increased network capacity and monetisation of the 5G spectrum.

With lower operating costs and capital investment going forward, combined with the additional \$5.0 million Westpac capital financing facility implemented in October 2022, the Company's existing cash balance of \$6.1m will allow it to continue to meet its growth plans through the remainder of FY23.

USE OF FUNDS AND RELATED PARTY TRANSACTIONS

The Company raised approximately \$22.5 million before costs through its initial public offering (IPO) in January 2021 and an additional \$20.0 million before costs through placement in June 2021 (Placement). The December 2022 quarter is included in a period covered by the use of funds statement contained in the IPO prospectus lodged with ASX under Listing Rule 1.1 condition 3.

The following table shows the source of funds before costs outlined in the Company's IPO prospectus compared to actual sources of funds available before costs to the Company during the period commencing 27 January 2021 to 31 December 2022.

Source of funds	Prospectus	Actual
	\$'000	\$'000
Approximate cash as at the date of the IPO prospectus/opening cash balance	1,508	1,508
Proceeds from the IPO offer	22,460	22,460
Proceeds from Placement – June 2021		20,000
Proceeds from the exercise of options	-	501
Total funds available (before costs)	23,968	44,469

In accordance with ASX listing rule 4.7C.2, the Company provides below the use of funds comparison table showing actual expenditure for the period commencing on 27 January 2021 to 31 December 2022 compared to the estimated expenditure in the use of funds statement contained in the Company's IPO prospectus. The Company was admitted to the Official List of the ASX on 27 January 2021. The use of funds table contained in the Company's IPO prospectus did not include the anticipated access to additional sources of funding (set out above), including the proceeds from the Placement.

The following table shows the intended use of funds in the two-year period following admission to the ASX (as outlined in the Company's IPO prospectus) compared to the actual expenditure to 31 December 2022:

Use of funds	Prospectus	Actual to Date (27 January to 30 December 2022)	Comment
	\$'000	\$'000	
Wireless infrastructure	8,990	10,908	Ahead of schedule refer to Note 1
Network infrastructure	1,500	1,403	In line with schedule
NVIDIA cloud gaming infrastructure	4,020	6,825	Ahead of schedule refer to Note 1
CloudGG software development & gaming opportunities	-	4,000	Ahead of schedule refer to Note 1
Working capital and administration	6,500	8,434	Ahead of schedule refer to Note 1
Costs of the Offer	1,450	2,305	Refer to Note 1
Total Funds allocated	22,460	33,875	

Note 1:

The proposed use of funds outlined in the Company's initial listing Prospectus did not include anticipated access to additional sources of capital funding as outlined above in the proceeds from a placement to sophisticated and institutional investors of \$20 million (before costs) in June 2021.

With the receipt of additional source of funds, the Company was able to purchase additional NVIDIA's GeForce NOW infrastructure, secure additional Terragraph equipment for the accelerated rollout of neXus and accompanying tower upgrades and acquire a 13.4% stake in CANOPUS Networks for \$4 million in cash.

In accordance with ASX Listing Rule 4.7C.3, payments in the December 2022 quarter to related parties (and their associates) of \$423,931 included in Item 6 in the Appendix 4C consisted of directors' fees and director associate fees and rent and accounting services paid to associates of directors.

This announcement has been authorised for release by the Managing Director of Pentanet Limited, Mr Stephen Cornish.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Mr. Stephen Cornish
Managing Director

Mr. Patrick Holywell
Company Secretary

Ms. Mart-Marie Derman
Chief Financial Officer

About Pentanet

Pentanet is a Perth-based, growth-focused telco 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 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 is also 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.

Pentanet was listed as #28 in the Deloitte Technology Fast 500™ Asia Pacific 2020, a ranking of the region's 500 fastest growing technology companies. On top of the Company's #28 overall ranking, Pentanet also ranked #3 for Australian companies on the list.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PENTANET LTD

ABN

29 617 506 579

Quarter ended ("current quarter")

December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,946	9,666
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,987)	(5,614)
(c) advertising and marketing	(183)	(701)
(d) leased assets	(26)	(46)
(e) staff costs	(2,258)	(3,849)
(f) administration and corporate costs	(910)	(1,896)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	7
1.5 Interest and other costs of finance paid	(62)	(145)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	78
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,480)	(2,500)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,495)	(2,826)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(14)	(1,814)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,509)	(4,640)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(61)	(121)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(61)	(121)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,177	13,388
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,480)	(2,500)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,509)	(4,640)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(61)	(121)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,127	6,127

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,127	9,177
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,127	9,177

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	424
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	5,800	368
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		5,432

7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. - The loan facility is a secured revolving credit facility to the value of \$800,000 with Toyota Fleet Management and relates to the fleet and installation vehicles. The loan is secured. Interest rates range between 3 and 4.2% - Westpac Banking Corporation loan facilities to an aggregate of \$5 million for capital expenditure. The loan is secured. The interest rate is 4.13% p.a. This is a variable rate.
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,480)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,127
8.3	Unused finance facilities available at quarter end (item 7.5)	5,432
8.4	Total available funding (item 8.2 + item 8.3)	11,559
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	8
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not applicable		
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Not applicable		
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Not applicable		
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by:  Stephen Cornish - Managing Director
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.