PENTANET LIMITED

ABN: 29 617 506 279

Annual Report - 30 June 2019

Contents

Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the Consolidated Entity Pentanet Ltd hereinafter referred to as 'the Group' or 'Consolidated Entity' 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 2019 ('year').

Directors

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

David Buckingham (appointed 11 September 2020 – Chairman)

Dalton Gooding (appointed 20 December 2018)

Stephen Cornish (appointed 22 February 2017)

Timothy Cornish (appointed 22 February 2017)

Craig Amos (appointed 13 November 2018)

Russell Kane (resigned 4 September 2020)

Principal activities

During the financial year the principal continuing activities of the Consolidated Entity consisted of the provision of internet and associated telecommunications products and services.

Dividends

No dividends were paid during the year and the directors have not recommended a dividend in respect of the 2019 financial period (2018: Nil)

Review of Operations

The statutory loss for the consolidated entity amounted to $ 2,185,234 (30 June 2018: Loss of $ 436,577)

Significant Changes in the State of Affairs

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Group has taken precautionary measures by temporarily closing the Group's offices when COVID-19 restrictions were enforced (for all but essential services) and arranged for its employees to work remotely, as well as increasing inventory and network assets required for installation to mitigate the risk of supply chain disruptions.

At the date of this report, the impact of these measures is not expected to significantly affect the Group's business operations. Although there is a level of inherent uncertainty as outlined above, there has not been any noticeable adverse impact on the Group's operations or profitability.

Telecommunications remains an essential service and the current environment has led to increased demand for telecommunications products and services. The Board and management continue to monitor and manage the Group's operations in view of the dynamic nature of the events.

Directors' report continued

Events Subsequent to the End of the Reporting Period

The novel coronavirus (COVID-19) pandemic has developed rapidly in 2020. The World Health Organisation declared a global health emergency in January 2020 and in March 2020, it declared the spread of COVID-19 as a global pandemic. Measures taken to contain the virus have significantly affected economic activity globally. Consequently, the Australian Government and other countries have imposed measures such as maintaining social distancing requirements, quarantine and travel restrictions. These restrictions had a significant negative impact on world stock markets, currencies and general business activities.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it had a positive financial impact on the Group having record sales months, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The Group appointed former iiNet CEO David Buckingham as its new chairman in September 2020. David Buckingham has a strong financial background and telecommunications history both in Australia and overseas, previously spending eight years with iiNet prior to leaving in 2015. His eight-year tenure with iiNet saw him lead the company as chief executive officer following five years in the role of chief financial officer. After iiNet, Buckingham was the CEO of Navitas and has also held senior financial roles in the UK with Virgin Media and Telewest Global.

Russell Kane resigned on the 4th of September, and Pentanet Ltd accepted his resignation.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The Group’s operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Shares under option

There were no unissued ordinary shares of the Group under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the Group issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

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 Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Directors' report continued

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.

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

Timothy John Cornish
Director
4th of November 2020
Perth

Auditor's Independence Declaration

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

As lead auditor of Pentanet Limited for the periods ended 30 June 2019 and 30 June 2018, 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 periods.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 4 November 2020

Financial Report
for the year ended 30 June 2019

Contents

General information

The financial statements cover Pentanet Ltd as an 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's functional and presentation currency.

Pentanet is an unlisted private company, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office
Unit 2/8 Corbusier Place
Balcatta WA 6021

Principal place of business
Unit 2/8 Corbusier Place
Balcatta WA 6021

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

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 4th of November 2020. The directors have the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue	3	1,777,816	296,551
Expenses			
Network, carrier and hardware expenses	4	(1,331,660)	(219,813)
Employee benefits expense		(895,634)	(197,079)
Depreciation, amortisation and impairment expense	4	(466,026)	(47,894)
Other expenses	4	(1,209,252)	(267,319)
Finance Costs	4	(60,478)	(1,023)
Loss before income tax expense		**(2,185,234)**	**(436,577)**
Income Tax Expense	5	-	-
Net Loss		**(2,185,234)**	**(436,577)**
Other Comprehensive Income		-	-
Total comprehensive income for the year		**(2,185,234)**	**(436,577)**

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

Consolidated Statement of Financial Position

for the year ended 30 June 2019

	NOTE	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	6	580,557	60,235
Trade and other receivables	7	63,904	87,993
Inventories	8	28,765	31,649
Deposits and Prepayments	9	174,637	-
Total current assets		**847,863**	**179,877**
Non-current assets			
Right of Use Assets	10	1,543,536	149,113
Plant and equipment	11	2,399,850	1,011,752
Intangible assets	12	180,511	107,020
Total non-current assets		**4,123,897**	**1,267,885**
Total Assets		**4,971,760**	**1,447,762**
Liabilities			
Current Liabilities			
Trade and other payables	13	435,270	266,968
Contract Liabilities	14	102,633	23,955
Employee benefits	15	48,623	20,126
Loans and borrowings	16	346,903	24,379
Total current liabilities		**933,429**	**335,428**
Loans and borrowings	16	1,439,141	261,386
Contract Liabilities	14	39,044	14,471
Employee benefits	15	-	-
Total non-current liabilities		**1,478,185**	**275,857**
Total Liabilities		**2,411,614**	**611,285**
Net assets		**2,560,146**	**836,477**
Equity			
Share capital	17	5,181,957	1,273,054
Reserves	18	-	-
Accumulated losses	18	(2,621,811)	(436,577)
Total Equity		**2,560,146**	**836,477**

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	NOTE	ISSUED CAPITAL	RESERVES	ACCUMULATED LOSSES	TOTAL
		$	$	$	$
Balance as at 20th of February 2017		**-**	**-**	**-**	**-**
Share issue costs		-	-	-	-
Issue of shares	17	1,273,054	-	-	1,273,054
Loss after income tax for the year	18	-	-	(436,577)	(436,577)
Balance as at 30 June 2018		**1,273,054**	**-**	**(436,577)**	**836,477**
		-	**-**	**-**	**-**
Balance as at 1 July 2018		**1,273,054**	**-**	**(436,577)**	**836,477**
Share issue costs	17	(176,097)	-	-	(176,097)
Issue of shares	17	4,085,000	-	-	4,085,000
Loss after income tax for the year	18	-	-	(2,185,234)	(2,185,234)
Balance as at 30 June 2019		**5,181,957**	**-**	**(2,621,811)**	**2,560,146**

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

Consolidated Statement of Cash Flow

for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,899,507	246,984
Payments to suppliers and employees (inclusive of GST)		(3,411,500)	(428,766)
Interest received		5,649	-
Interest and other finance costs paid		(60,478)	(1,023)
Income taxes paid		-	-
Net cash from / (used in) operating activities	6	**(1,566,822)**	**(182,805)**
Cash flows from investing activities			
Payments for plant and equipment		(1,661,055)	(1,053,335)
Payments for intangible assets		(73,491)	(107,020)
Net cash used in investing activities		**(1,734,546)**	**(1,160,355)**
Cash flow from financing activities			
Proceeds from borrowings		170,143	143,518
Payments of lease liabilities		(257,356)	(13,177)
Proceeds from issue of shares		4,085,000	1,273,054
Share issue transaction cost		(176,097)	-
Net cash from financing activities		**3,821,690**	**1,403,395**
Net increase in cash and cash equivalents		**520,322**	**60,235**
Cash and cash equivalents at beginning of the year		60,235	-
Cash and cash equivalents at end of the year		**580,557**	**60,235**

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of Significant accounting policies

The financial statements were authorised for issue on 4th of November 2020 by the directors of the Group.

New or amended Accounting Standards and Interpretations adopted

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

AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 9 Financial Instruments have been early adopted by the Group with effect from 20 February 2017 (incorporation date). The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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.

The comparative financial information is for a period greater than 12 months being from incorporation 20 February 2017 to 30 June 2018.

Going Concern

The Directors have prepared the consolidated financial report on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 30 June 2019 the Group recorded a loss of $2,185,234 and had net cash outflows from operating activities of $1,566,822. As at 30 June 2019, the Group had a working capital deficit, inclusive of Convertible Notes of $274,134.

In March 2020 the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on Group's activities and potentially impact on being able to raise capital in an uncertain market.

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on refinancing finance facilities as indicated and securing additional funding through debt or equity to continue to fund its operational activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the Consolidated Entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Financial Statements continued
for the year ended 30 June 2019

Going Concern continued

The consolidated financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

1. The Directors believe that there is sufficient cash available for the Consolidated Entity to continue operating until it can raise sufficient further capital to fund its ongoing activities;
2. The Directors believe that there is an ability to raise further capital, whether through debt or equity arrangements, to meet the funding requirements for the Consolidated Entity's operations;
3. The Consolidated Entity has the ability to reduce its expenditure to conserve cash. During the COVID-19 pandemic key management personnel and directors elected to take a short term pay reduction of 20% - 50% as a precautionary measure. This was subsequently restored;
4. The Directors are continuing to explore alternative options in an effort to mitigate the possible impact of COVID-19. As outlined, there has not been a material impact to business operations and the Group continued to deliver growth despite the uncertainty arising from the pandemic. The Group have adapted quickly in a changing economic landscape with employees transitioning to working remotely during the pandemic and still delivering growth and ensuring minimal disruptions in business operations.

The Group has entered into an agreement with a stock-brokerage firm with an expectation to perform an initial public offering prior to January 2021. The Group will undertake further capital debt raising prior to this initial public offering if required.

Should the Group not be able to achieve any of the above, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

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Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pentanet Pty Limited (‘company’ or ‘parent entity’) as at 30 June 2020 and the results of all subsidiaries for the year then ended. Pentanet Pty Limited 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.

Intercompany 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.

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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.

Notes to the Financial Statements continued

for the year ended 30 June 2019

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 Group operates in two segments being the provision of internet and telecommunication services and eSport within Australia.

Foreign currency translation

The financial statements are presented in Australian dollars, which is the Group'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.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The following is a description of principal activities from which the Group generates its revenue.

The Group 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 24 months. The provision of fibre communication services does not require installation of network infrastructure.

Revenue from rendering of services

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.

Sale of goods

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.

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

Notes to the Financial Statements continued

for the year ended 30 June 2019

Other Income

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.

Research and Development/Grants

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

Other items of income

Other items of income are recognised when they are 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 (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Notes to the Financial Statements continued
for the year ended 30 June 2019

Income tax continued

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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 includes 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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

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 Group 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.

Contract assets

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Inventories

Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Costs are assigned on a first-in, first-out basis.

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.

Notes to the Financial Statements continued

for the year ended 30 June 2019

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.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation is calculated on both 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:

Leasehold Improvements	5 years	Straight Line Basis
Plant and equipment	5 -10 years	Straight Line Basis
Network Infrastructure	2 - 10 years	Straight Line basis

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

Leasehold improvements and plant and equipment under lease 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 Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases and Right of Use Assets

At 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 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 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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are summarised below.

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 ASSET	USEFUL LIFE	DEPRECIATION METHOD
Network Infrastructure	2 years to 10 years	Straight line basis

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

Notes to the Financial Statements continued

for the year ended 30 June 2019

Leases and Right of Use Assets continued

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 dat
- 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.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amounts expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (less US $5,000), including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

Trademarks

Trademarks owned by Group are carried at cost less accumulated impairment losses.

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.

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.

Notes to the Financial Statements continued
for the year ended 30 June 2019

Impairment of non-financial assets

Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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 remain 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 60 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the 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 non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a share-based payment reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

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

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group 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.

Notes to the Financial Statements continued
for the year ended 30 June 2019

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service 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.

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, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

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 Group.

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.

Notes to the Financial Statements continued

for the year ended 30 June 2019

Earnings per share continued

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 which 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.

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, 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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 8, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its 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 as the Group considers this to be a better estimation of likely useful life.

Other indefinite life intangible assets

The Group 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. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Notes to the Financial Statements continued

for the year ended 30 June 2019

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19)

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 the 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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and 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; 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-use asset, with similar terms, security and economic environment.

Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 24 for further information.

Notes to the Financial Statements continued

for the year ended 30 June 2019

Note 3. Revenue

	2019	2018
Revenue from contracts with customers	**$**	**$**
Rendering a Service - Telecommunication Service	224,945	53,078
Rendering a Service - Recurring network revenues	1,368,814	175,388
Sale of goods	178,408	32,837
	1,772,167	261,303
Other Revenue		
Research and Development Grant	-	35,248
Interest Income	5,649	-
	5,649	35,248
Total revenue	**1,777,816**	**296,551**

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

Note 4. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses		
Network, carrier and hardware expenses		
Network, carrier and hardware expenses	**1,331,660**	**219,813**
Depreciation		
Leasehold Improvements	1,022	-
Plant and Equipment	43,454	10,798
Right of use assets	193,069	6,311
Network Infrastructure	222,099	30,785
Amortisation	5,728	-
Impairment of Intangible Asset	654	-
Total Depreciation, amortisation and impairment	**466,026**	**47,894**
Marketing	579,636	135,797
Other operating expenses	629,616	131,522
Total other expenses	**1,209,252**	**267,319**
Superannuation Expense	59,388	15,352
Finance costs	60,478	1,023
Total finance costs	**60,478**	**1,023**

Notes to the Financial Statements continued
for the year ended 30 June 2019

Note 5. Income Tax Expense

	2019 $	2018 $
Income Tax expense/(benefit) comprises:		
Deferred Tax	-	-
	-	-
Total tax expense/(benefit)	**-**	**-**

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:

	2019	2018
Profit/(loss) from operations before tax	(2,185,234)	(436,577)
Tax at the statutory tax rate of 27.5% (2018: 27.5%)	(600,939)	(120,059)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Add:		
Other non-allowable items	440	(9,519)
Less:		
Other		
Current net deferred tax asset not recognised	(600,499)	(129,577)
The applicable weighted average effective tax rates are as follows:	0%	0%
Unrecognised deferred tax relating to tax losses	(600,499)	(129,577)
Unrecognised deferred tax relating to temporary differences	28,139	-

Note 6. Cash and Cash Equivalent

	2019 $	2018 $
Cash at Bank	580,557	60,235
Cash on Hand	-	-
Total cash and cash equivalents	**580,557**	**60,235**

Reconciliation of net loss to net cash flows from operating activities

	2019	2018
Loss for the year	(2,185,234)	(436,577)
Non-cash items		
Depreciation and amortisation	466,026	47,894
Share-based payments	-	-
(Increase)/decrease in assets		
(Increase)/Decrease in trade and other receivables	24,089	(87,993)
(Increase)/Decrease in inventories	2,884	(31,649)
(Increase)/Decrease in deposits and prepayments	(174,637)	-
Increase/(decrease) in liabilities		
Increase/(Decrease) in trade and other payables	168,302	266,968
Increase/(Decrease) in employee benefit expenses	28,497	20,126
Increase/(Decrease) in customer contract liability	103,251	38,426
Net cash from / (used in) operating activities	**(1,566,822)**	**(182,805)**

Non-cash investing and financing activities

Right-of-use assets acquired by means of leases	**1,587,492**	**155,424**

Notes to the Financial Statements continued
for the year ended 30 June 2019

Note 7. Trade and Other Receivables

	2019 $	2018 $
Trade receivables	68,208	28,768
Less: Allowance for expected credit losses	(5,055)	(3,311)
Total trade receivables	**63,153**	**25,457**
Other Receivables	**751**	**62,536**
Total Trade and other receivables	**63,904**	**87,993**

Note 8. Inventories

	2019 $	2018 $
Current Inventories		
Finished goods held for sale	28,765	31,649
Total Inventories	**28,765**	**31,649**

Note 9. Deposits and Prepayments

	2019 $	2018 $
Prepaid expenses	136,537	-
Security deposit	38,000	-
Prepayment	100	-
Total deposits and Prepayments	**174,637**	**-**

Note 10. Non-current assets - right of use assets

	2019 $	2018 $
Network Infrastructure - at cost	1,464,186	155,424
Less: Accumulated Depreciation	(139,653)	(6,311)
	1,324,533	149,113
Office Lease	278,731	-
Less: Accumulated Depreciation	(59,728)	-
	219,003	-
Total Right of Use Assets	**1,543,536**	**149,113**

Notes to the Financial Statements continued

for the year ended 30 June 2019

Note 10. Non-current assets - right of use assets continued

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

	NETWORK INFRASTRUCTURE $	OFFICE LEASE $	TOTAL $
Balance at incorporation 20 February 2017	**-**	**-**	**-**
Additions	155,424	-	155,424
Depreciation expense	(6,311)	-	(6,311)
Balance at 30 June 2018	**149,113**	**-**	**149,113**
Additions	1,308,761	278,731	1,587,492
Depreciation expense	(133,341)	(59,728)	(193,069)
Balance at 30 June 2019	**1,324,533**	**219,003**	**1,543,536**

Note 11. Non-current assets - plant and equipment

	2019 $	2018 $
Leasehold Improvements - at cost	15,559	-
Less: Accumulated Depreciation	(1,022)	-
	14,537	-
Plant and Equipment - at cost	346,529	90,322
Less: Accumulated depreciation	(54,251)	(10,796)
	292,278	**79,526**
Network infrastructure	2,337,989	963,012
Less: Accumulated depreciation	(244,954)	(30,787)
	2,093,035	**932,225**
	2,399,850	**1,011,751**

Reconciliation

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

	LEASEHOLD IMPROVEMENTS $	PLANT AND EQUIPMENT $	NETWORK INFRASTRUCTURE $	TOTAL $
Balance at 30 June 2017	**-**	**-**	**-**	**-**
Additions	-	90,322	963,110	1,053,432
Disposals	-	-	(98)	(98)
Depreciation expense	-	(10,796)	(30,787)	(41,583)
Balance at 30 June 2018	**-**	**79,526**	**932,225**	**1,011,751**
Additions	15,559	256,206	1,433,562	1,705,327
Disposals			(50,653)	(50,653)
Depreciation expense	(1,022)	(43,454)	(222,099)	(266,575)
Balance at 30 June 2019	**14,537**	**292,278**	**2,093,035**	**2,399,850**

Notes to the Financial Statements continued

for the year ended 30 June 2019

Note 12. Non-current assets - Intangibles

	2019 $	2018 $
Trademark and Design	12,806	1,055
Less: Impairment		
	12,806	**1,055**
Software - at cost	6,582	-
Less: Accumulated Amortisation	(1,096)	-
	5,486	**-**
Intellectual Property	100,000	100,000
Less: Accumulated Amortisation	-	-
	100,000	**100,000**
Other Intangible Assets	67,505	5,965
Less: Accumulated Amortisation and Impairment	(5,286)	-
	62,219	**5,965**
	180,511	**107,020**

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

	TRADEMARK AND DESIGN $	SOFTWARE $	OTHER INTANGIBLE ASSETS $	INTELLECTUAL PROPERTY	TOTAL $
Balance at incorporation 20 February 2017	-	**-**	**-**	**-**	**-**
Additions	1,055	-	-	100,000	101,055
Amortisation expense	-	-	-	-	-
Balance at 30 June 2018	**1,055**	**-**	**5,965**	**100,000**	**107,020**
Additions	11,751	6,582	61,540	-	79,873
Amortisation expense	-	(1,096)	(4,632)	-	(5,728)
Impairment			(654)		(654)
Balance at 30 June 2019	**12,806**	**5,486**	**62,219**	**100,000**	**180,511**

Note 13. Trade and other payables

	2019 $	2018 $
Trade payables	313,800	226,573
Other current payables	121,470	40,395
Total trade and other payables	**435,270**	**266,968**

The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

Notes to the Financial Statements continued

for the year ended 30 June 2019

Note 14. Contract Liabilities

	2019 $	2018 $
Current Liabilities		
Customer Contract liabilities	**102,633**	**23,955**
Non-Current Liabilities		
Customer Contract liabilities	39,044	14,471
Total	**141,677**	**38,426**

Reconciliation

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

	2019 $	2018 $
Opening Balance: 1 July	**38,426**	**-**
Revenue deferred during the period	176,241	46,856
Revenue recognised	(72,990)	(8,430)
Closing Balance: 30 June	**141,677**	**38,426**

For the Wireless revenue stream, there are two performance obligations, the delivery of hardware to facilities connection and the delivery of 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 therefore not distinct and bundled with the provision of wireless broadband.

Note 15. Current and Non-Current - employee benefits

	2019 $	2018 $
Employee benefits - current	48,623	20,126
Employee benefits - non-current	-	-

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 also 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.

Notes to the Financial Statements continued

for the year ended 30 June 2019

Note 16. Current and Non-current liabilities - borrowings

	2019	2018
	$	$
CURRENT		
Right of Use Lease Liability	328,405	24,379
Other loans	18,498	-
Convertible Notes	-	-
	346,903	24,379
NON-CURRENT		
Right of Use Lease Liability	1,143,978	117,868
Other loans	21,029	-
Convertible Notes	274,134	143,518
	1,439,141	**261,386**

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 at the lease commencement whether it is reasonably certain to exercise the extension options. 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. Some leases provide for additional rental payments that are based on changes in consumer price indices.

LEASE CATEGORY	TERM OF LEASE	RENEWAL OPTION AVAILABLE
Building	5 years	2 years
Network Infrastructure	2 - 6 Years	5 Years

Convertible Notes

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 Maturity date at a conversion rate of $0.10 per Share.

Notes to the Financial Statements continued

for the year ended 30 June 2019

Note 17. Equity - Issued Capital

	2019 $	2018 $
Issue of shares	5,358,054	1,273,054
Share issue costs	(176,097)	-
Total share capital	**5,181,957**	**1,273,054**

DETAILS	2019 SHARES	2018 SHARES	2019 $	2018 $
Ordinary shares - fully paid	**107,751,000**	**66,901,000**	**5,181,957**	**1,273,054**

Movement in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE	$
Opening Balance	**1 July 2017**	**35,000**		**35,000**
Issue of shares	15 November 2017	48,435,000	$0.00	4,844
Issue of shares	15 December 2017	1,000,000	$0.00	100
Issue of shares	31 December 2017	100,000	$0.00	10
Issue of shares	31 January 2018	10,000,000	$0.05	500,000
Issue of shares	23 February 2018	2,000,000	$0.10	200,000
Issue of shares	10 April 2018	1,000,000	$0.10	100,000
Issue of shares	19 April 2018	2,000,000	$0.10	200,000
Issue of shares	15 May 2018	1,600,000	$0.10	160,000
Issue of shares	15 May 2018	100,000	$0.10	10,000
Issue of shares	16 July 2018	231,000	$0.10	23,100
Issue of shares	15 March 2019	400,000	$0.10	40,000
Opening Balance 1 July 2018		**66,901,000**		**1,273,054**
Issue of shares	Jul-18	3,000,000	$0.10	300,000
Issue of shares	Jul-18	1,000,000	$0.10	100,000
Issue of shares	Jul-18	100,000	$0.10	10,000
Issue of shares	Dec-18	150,000	$0.10	15,000
Issue of shares	Oct-18	36,600,000	$0.10	3,660,000
Share issue transaction cost		-		(176,097)
Closing Balance 30 June 2019		**107,751,000**		**5,181,957**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group 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.

Note 18. Equity - accumulated losses

	2019 $	2018 $
Accumulated losses at the beginning of the financial year	(436,577)	-
Retained Earnings	(2,185,234)	(436,577)
Accumulated losses at the end of the financial year	**(2,621,811)**	**(436,577)**

Notes to the Financial Statements continued
for the year ended 30 June 2019

Note 19. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Group appointed former iiNet CEO David Buckingham as its new chairman in September 2020. David Buckingham has a strong financial background and telecommunications history both in Australia and overseas, previously spending eight years with iiNet prior to leaving in 2015. His eight-year tenure with iiNet saw him lead the company as chief executive officer following five years in the role of chief financial officer. After iiNet, Buckingham was the CEO of Navitas and has also held senior financial roles in the UK with Virgin Media and Telewest Global.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 20. 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 Group, its network firms and unrelated firms

	2019	2018
Audit services - BDO Audit (WA) Pty Ltd	**$**	**$**
Audit or review of the financial statements	**28,500**	-

Note 21. Contingent assets

There are no Contingent Assets as at 30 June 2019.

Note 22. Contingent liabilities

There are no Contingent Liabilities as at 30 June 2019.

Note 23. Commitments

There are no Commitments as at 30 June 2019.

Note 24. Related party transactions

Parent entity

Pentanet Ltd is the parent entity.

Transactions with related parties:

The following transactions occurred with related parties:

Notes to the Financial Statements continued
for the year ended 30 June 2019

Note 24. Related party transactions continued

	Consolidated	
	2019	2018
	$	$
Payment of Interest on Convertible Note Loan	27,219	-
Loans from related parties		
Convertible Note Loan	274,314	43,518

Terms and conditions

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

Directors' Declaration

for the year ended 30 June 2019

In the directors' opinion:

• the attached consolidated 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 consolidated 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 consolidated financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;

• there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

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

Timothy John Cornish
Director
4th of November 2020
Perth

Independent Auditor's Report

for the year ended 30 June 2019

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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 statements of financial position as at 30 June 2019 and 30 June 2018, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the periods 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 Pentanet Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial positions as at 30 June 2019 and 30 June 2018 and of its financial performances for the periods ended on those dates; and

(ii) Complying with Australian Accounting Standards to the extent described in Note 1, 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 auditor independence requirements of 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.

Independent Auditor's Report

for the year ended 30 June 2019

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' report for the periods ended 30 June 2019 and 30 June 2018, 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have no realistic alternative but to do so.

Independent Auditor's Report

for the year ended 30 June 2019

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:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Australia Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 4 November 2020