



Half-Year Report

**APPENDIX 4D
31 DECEMBER 2020**

**Pentamet Limited
ACN 617 506 279**



1. COMPANY DETAILS

| | |
|-------------------|--|
| Name of entity: | PENTANET LTD |
| ABN: | 29 617 506 279 |
| Reporting period: | For the half-year ended 31 December 2020 |
| Previous period: | For the half-year ended 31 December 2019 |

2. RESULTS FOR ANNOUNCEMENT TO MARKET

| | | | | \$ |
|--|------|------|----|--------------|
| Revenue from ordinary activities | up | 164% | to | 4,757,355 |
| EBITDA ¹ | down | 154% | to | (6,564,644) |
| Loss from ordinary activities after tax attributable to the owners of Pentanet Limited | up | 265% | to | (11,155,048) |
| Loss for the half-year attributable to the owners of Pentanet Limited | up | 265% | to | (11,155,048) |

Dividends

No dividends were paid during the half-year, and the directors have not recommended a dividend in respect of the 2021 financial period (2020: Nil.)

Review of Operations

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$11,155,048 (31 December 2019: \$3,056,451).

The half-year loss of \$11.2m includes share-based payments of \$4.5m, finance cost relating to the exercise of convertible note options of \$3.8m and IPO related cost of \$0.4m. The consolidated entity maintained a healthy growth trajectory in revenue and subscribers in the economic backdrop of the Coronavirus (COVID-19) pandemic. The key organisational focus remains to expand the fixed wireless network and increase the fixed wireless service offering. The wireless product offering yields a higher gross margin and improved customer experience in comparison to customers on the NBN.

The impact of the COVID-19 pandemic is ongoing. COVID-19 had a positive impact on the provision of internet and associated telecommunications products and services with the demand for Pentanet's services increasing during the peak of the pandemic when COVID-19 restrictions were imposed. Telecommunication services remain an essential service, and we can continue to operate under and in accordance with restrictions imposed.

Existing credit management policies have been reviewed in light of the pandemic, and the consolidated entity continues to monitor recoverability of debtors closely. No single customer relationship is material to the consolidated entity. Pentanet will remain conservative in assessing current and forecast credit conditions when determining the default rates on debtors balances.

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

Please refer to Pentanet Ltd's prospectus published on 11 December 2020 outlining the historical audited financial performance of the Consolidated Entity in Section 6. Financial performance and the ongoing strategic and operational plans and performance objectives are outlined in section 2.9 Strategy, plans and objectives.

¹EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax.

3. NET TANGIBLE ASSETS

| | Reporting Period Cents | Previous Period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | 0.02 | 0.01 |

4. CONTROL GAINED OVER ENTITIES

Not applicable

5. LOSS OF CONTROL OVER ENTITIES

Not applicable

6. DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

Not applicable

7. AUDIT QUALIFICATION OR REVIEW

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


The financial statements were subject to a review by the auditors, and the review report is attached as part of the Interim Report.

8. ATTACHMENTS

Details of attachments (if any):

The Interim Report of Pentanet Limited for the half-year ended 31 December 2020 is attached.

9. SIGNED

Signed  _____

David Buckingham
 Non-Executive Chairman
 17 February 2021
 Perth



Half-Year Report

31 DECEMBER 2020

Pentanet Limited
ACN 617 506 279



INTERIM FINANCIAL REPORT - 31 DECEMBER 2020

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020.

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GENERAL INFORMATION

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

Pentanet Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

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 17 February 2021.

CORPORATE DIRECTORY 31 DECEMBER 2020

| | | |
|-----------------------------|--|---|
| Directors | David Buckingham Stephen Cornish Timothy Cornish Dalton Gooding Craig Amos | Non-Executive Chairman Managing Director Executive Director Non-Executive Director Non-Executive Director |
| Company Secretary | Patrick Holywell | |
| Registered Office | Unit 2 / 8 Corbusier Place, Balcatta 6021 | |
| Principal Place of Business | Unit 2 / 8 Corbusier Place, Balcatta 6021 | |
| Share Register | Automatic Group Level 5, 126 Phillip Street, Sydney, New South Wales 2000 | |
| Auditors | BDO Audit (WA) Pty Ltd Level 1, 38 Station Street, Subiaco WA 6008 | |
| Stock Exchange Listing | Pentanet Limited shares are listed on the Australian Securities Exchange (ASX code: 5GG) | |

DIRECTORS' REPORT 31 DECEMBER 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Pentanet Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of Pentanet Limited during the whole of the financial half-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)

Principal activities

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

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$11,155,048 (31 December 2019: \$3,056,451).

The half-year loss of \$11.2m includes share-based payments of \$4.5m, finance cost relating to the exercise of convertible note options of \$3.8m and IPO related cost of \$0.4m. The consolidated entity maintained a healthy growth trajectory in revenue and subscribers in the economic backdrop of the COVID-19 pandemic. The key organisational focus remains to expand the fixed wireless network and increase the fixed wireless service offering. The wireless product offering yields a higher gross margin and improved customer experience in comparison to customers on the NBN.

The impact of the COVID-19 pandemic is ongoing. COVID-19 had a positive impact on the provision of internet and associated telecommunications products and services with the demand for Pentanet's services increasing during the peak of the pandemic when COVID-19 restrictions were imposed. Telecommunication services remains an essential service, and we can continue to operate under and in accordance with restrictions imposed.

Existing credit management policies have been reviewed in light of the pandemic, and the consolidated entity continues to monitor recoverability of debtors closely. No single customer relationship is material to the consolidated entity. Pentanet will remain conservative in assessing current and forecast credit conditions when determining the default rates on debtors balances.

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

Please refer to the Pentanet Ltd prospectus published on 11th of December 2020 outlining the historical audited financial performance of the Consolidated Entity in Section 6. Financial performance and the ongoing strategic and operational plans and performance objectives as outlined in section 2.9 Strategy, plans and objectives.

Significant changes in the state of affairs

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

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

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

On 29 January 2021 Pentanet listed on the ASX.

The Company has entered into a binding commercial agreement with NVIDIA (NVIDIA Agreement), whereby NVIDIA and the Company will collaboratively work on delivering a commercialised "GeForce NOW" (GFN) based cloud gaming solution in the Oceania region with an initial deployment in Australia.

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

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

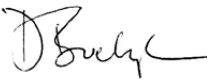
There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

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 306(3)(a) of the Corporations Act 2001.

Signed on behalf of the directors:

Signed  _____

David Buckingham
Non-Executive Chairman
17 February 2021
Perth

AUDITOR'S INDEPENDENCE DECLARATION



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PO Box 700 West Perth WA 6872
Australia

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

As lead auditor for the review of Pentanet Limited for the half-year ended 31 December 2020, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, 17 February 2021

Pentanet Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

| | Note | Consolidated | |
|--|----------|---------------------|--------------------|
| | | 31 Dec 20 | 31 Dec 19 |
| | | \$ | \$ |
| Revenue | 3 | 4,757,355 | 1,805,227 |
| Other income | 3 | 165,974 | - |
| Expenses | | - | - |
| Network, carrier and hardware expenses | 4 | (2,813,382) | (1,186,930) |
| Employee benefits expense | | (2,771,842) | (1,129,403) |
| Share based payments | 16 | (4,459,854) | (995,498) |
| Other expenses | 4 | (1,442,895) | (1,076,488) |
| Earnings before finance costs, tax, depreciation and amortisation expenses (EBITDA) | | (6,564,644) | (2,583,092) |
| Finance costs | 4 | (3,873,661) | (43,657) |
| Finance income | | 150 | 115 |
| Depreciation, amortisation and impairment expense | | (716,893) | (429,817) |
| Loss before tax | | (11,155,048) | (3,056,451) |
| Income tax expense | | - | - |
| Loss after income tax for the half-year attributable to the owners of Pentanet Ltd | | (11,155,048) | (3,056,451) |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the half-year attributable to the owners of Pentanet Ltd | | (11,155,048) | (3,056,451) |
| | | Cents | Cents |
| Basic (loss) per share attributable to owners of Pentanet Group | 15 | (0.09) | (0.03) |

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

Pentanet Ltd
Consolidated statement of financial position
For the half-year ended 31 December 2020

| | Note | Consolidated 31 Dec 20 | 30 Jun 20 |
|--------------------------------------|------|---------------------------|------------------|
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 6,282,503 | 1,273,033 |
| Trade and other receivables | | 111,394 | 132,798 |
| Inventories | | 63,656 | 78,329 |
| Deposits and prepayments | | 207,335 | 255,483 |
| Total current assets | | 6,664,888 | 1,739,643 |
| Non-current assets | | | |
| Right of use assets | 6 | 1,448,916 | 1,668,014 |
| Plant and equipment | 7 | 4,063,795 | 3,828,944 |
| Intangible assets | 8 | 336,390 | 362,388 |
| Total non-current assets | | 5,849,101 | 5,859,346 |
| Total Assets | | 12,513,989 | 7,598,989 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | | 2,283,140 | 1,270,565 |
| Contract liabilities | | 126,889 | 149,056 |
| Employee benefits | | 154,209 | 102,330 |
| Loans and borrowings | 9 | 5,824,694 | 3,269,784 |
| Total current liabilities | | 8,388,932 | 4,791,735 |
| Loans and borrowings | 9 | 896,561 | 1,264,068 |
| Contract liabilities | | 30,183 | 27,118 |
| Employee benefits | | - | 2,364 |
| Total non-current liabilities | | 926,744 | 1,293,550 |
| Total Liabilities | | 9,315,676 | 6,085,285 |
| Net assets | | 3,198,313 | 1,513,704 |
| Equity | | | |
| Share capital | 10 | 16,518,677 | 8,138,873 |
| Reserves | | 5,567,756 | 1,107,903 |
| Accumulated losses | | (18,888,120) | (7,733,072) |
| Total Equity | | 3,198,313 | 1,513,704 |

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

Pentamet Ltd
Consolidated statement of changes in equity
For the half-year ended 31 December 2020

| Consolidated | Note | Issued capital | Reserves | Accumulated losses | Total |
|--|------|------------------|----------------|--------------------|--------------------|
| | | \$ | \$ | \$ | \$ |
| Balance at 1 July 2019 | | 5,181,957 | - | (2,621,811) | 2,560,146 |
| Loss after income tax expense for the half-year | | - | - | (3,056,451) | (3,056,451) |
| Other comprehensive loss for the half-year, net of tax | | - | - | - | - |
| Total comprehensive loss for the half-year | | - | - | (3,056,451) | (3,056,451) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of shares | 10 | 3,120,001 | - | - | 3,120,001 |
| Share issue costs | | (163,085) | - | - | (163,085) |
| Share-based payments | | - | 995,498 | - | 995,498 |
| Balance at 31 December 2019 | | 8,138,873 | 995,498 | (5,678,262) | 3,456,109 |

| Consolidated | Note | Issued capital | reserves | Accumulated losses | Total |
|--|------|-------------------|------------------|---------------------|---------------------|
| | | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | | 8,138,873 | 1,107,903 | (7,733,072) | 1,513,704 |
| Loss after income tax expense for the half-year | | - | - | (11,155,048) | (11,155,048) |
| Other comprehensive loss for the half-year, net of tax | | - | - | - | - |
| Total comprehensive loss for the half-year | | - | - | (11,155,048) | (11,155,048) |
| Transactions with owners in their capacity as owners: | | | | | |
| Issue of shares | 10 | 8,379,804 | - | - | 8,379,804 |
| Share issue costs | | - | - | - | - |
| Share-based payments | | - | 4,459,853 | - | 4,459,853 |
| Balance at 31 December 2020 | | 16,518,677 | 4,459,853 | (18,888,120) | 3,198,313 |

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

Pentanet Ltd
Statement of changes in equity
For the half-year ended 31 December 2020

| | Note | Consolidated | |
|--|----------|------------------|--------------------|
| | | 31 Dec 20 | 31 Dec 19 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 4,925,631 | 1,807,543 |
| Payments to suppliers and employees (inclusive of GST) | | (5,359,389) | (2,994,525) |
| Cash generated from operations | | (433,758) | (1,186,982) |
| Interest received | | 150 | 115 |
| Interest and other finance costs paid | | (50,979) | (43,657) |
| Income taxes paid | | - | - |
| Net cash from / (used in) operating activities | 5 | (484,587) | (1,230,524) |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | | (623,201) | (904,092) |
| Payments for intangible assets | | (60,772) | (154,555) |
| Net cash used in investing activities | | (683,973) | (1,058,647) |
| Cash flow from financing activities | | | |
| (Repayment) / Proceeds from borrowings | | 5,225,409 | 184,094 |
| Payments of lease liabilities | | (285,713) | (267,926) |
| Proceeds from issue of shares | | 1,238,334 | 3,120,001 |
| Share issue transaction cost | | - | (163,085) |
| Net cash from financing activities | | 6,178,030 | 2,873,084 |
| Net increase in cash and cash equivalents | | 5,009,470 | 583,913 |
| Cash and cash equivalents at beginning of the financial half-year | | 1,273,033 | 580,557 |
| Cash and cash equivalents at end of the financial half-year | 5 | 6,282,503 | 1,164,470 |

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

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Note 2. 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 gaming technology within Australia.

Note 3. Revenue

| | Consolidated | |
|--|---------------------|------------------|
| | 31 Dec 20 | 31 Dec 19 |
| Revenue from contracts with customers | \$ | \$ |
| Rendering a service - telecommunication service | 309,734 | 181,458 |
| Rendering a service - recurring network revenues | 4,123,812 | 1,467,923 |
| Sale of goods | 323,809 | 155,846 |
| | 4,757,355 | 1,805,227 |
| Other Revenue | | |
| Australian Tax Office - COVID19 Grants | 165,974 | - |
| | 165,974 | - |
| Total revenue | 4,923,479 | 1,805,342 |

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

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

Note 4. Expenses

| Loss before income tax includes the following specific expenses | Consolidated | |
|---|------------------|------------------|
| | 31 Dec 20 | 31 Dec 19 |
| | \$ | \$ |
| Network, carrier and hardware expenses | 2,813,382 | 1,186,930 |
| Depreciation | | |
| Leasehold improvements | 19,133 | 3,392 |
| Plant and equipment | 57,054 | 39,924 |
| Right of use assets | 312,163 | 187,495 |
| Network infrastructure | 241,773 | 186,952 |
| Amortisation | 83,239 | 12,054 |
| Impairment of intangible asset | 3,531 | - |
| Total Depreciation, amortisation and impairment | 716,893 | 429,817 |
| Bad debts | 9,082 | 3,431 |
| Bank and transaction cost | 71,384 | 30,025 |
| Legal and professional services | 65,705 | 26,328 |
| Insurance | 75,189 | 35,727 |
| IPO related costs | 403,376 | - |
| Repairs and maintenance | 27,024 | 27,893 |
| Software subscription | 43,376 | 43,711 |
| Operating expenses | 565,993 | 757,129 |
| Office and staff cost | 181,766 | 152,244 |
| Total other expenses | 1,442,895 | 1,076,488 |
| Superannuation expense | 198,312 | 93,163 |
| Share-based payments expense | 4,459,854 | 995,498 |
| Finance cost | 3,873,661 | 43,657 |

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

Note 5. Cash and Cash Equivalent

| | Consolidated | |
|--|------------------|------------------|
| | 31 Dec 20 | 30 Jun 20 |
| | \$ | \$ |
| Cash at bank | 6,282,503 | 1,272,514 |
| Cash on hand | - | 519 |
| Total cash and cash equivalents | 6,282,503 | 1,273,033 |

Reconciliation:

| | Consolidated | |
|---|------------------|--------------------|
| | 31 Dec 20 | 30 Jun 20 |
| | \$ | \$ |
| Profit before tax | (11,155,048) | (3,056,451) |
| Adjusted for: | | |
| Depreciation | 716,893 | 429,817 |
| Interest income | (150) | (115) |
| Interest expense | 3,873,661 | 43,657 |
| Share-based payments | 5,003,674 | 995,498 |
| (Increase)/Decrease in trade and other receivables | 21,404 | (12,932) |
| (Increase)/Decrease in inventories | 14,673 | (27,396) |
| (Increase)/Decrease in deposits and prepayments | 48,148 | (154,237) |
| Increase/(Decrease) in trade and other payables | 1,012,575 | 568,917 |
| Increase/(Decrease) in employee benefits | 49,515 | 11,012 |
| Increase/(Decrease) in customer contract liability | (19,103) | 15,248 |
| Cash generated from operations | (433,758) | (1,186,982) |
| Interest paid | (50,829) | (43,542) |
| Income taxes paid | - | - |
| Net cash from / (used in) operating activities | (484,587) | (1,230,524) |

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

Note 6. Non-current assets - right of use assets

| | Consolidated | |
|----------------------------------|------------------|------------------|
| | 31 Dec 20 | 30 Jun 20 |
| | \$ | \$ |
| Network infrastructure - at cost | 1,993,673 | 1,971,003 |
| Less: Accumulated depreciation | (674,168) | (462,264) |
| | 1,319,505 | 1,508,739 |
| Office lease | 278,731 | 278,731 |
| Less: Accumulated depreciation | (149,320) | (119,456) |
| | 129,411 | 159,275 |
| Total right of use assets | 1,448,916 | 1,668,014 |

Reconciliation:

| | Network Infrastructure | Office Lease | Total |
|------------------------------------|------------------------|----------------|------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2020 | 1,508,739 | 159,275 | 1,668,014 |
| Additions | 22,675 | - | 22,675 |
| Depreciation expense | (211,909) | (29,864) | (241,773) |
| Balance at 31 December 2020 | 1,319,505 | 129,411 | 1,448,916 |

Note 7. Non-current assets - plant and equipment

| | Consolidated | |
|----------------------------------|--------------|-----------|
| | 31 Dec 20 | 30 Jun 20 |
| | \$ | \$ |
| Leasehold improvements - at cost | 113,204 | 30,263 |
| Less: Accumulated Depreciation | (19,133) | (6,400) |
| | 94,071 | 23,863 |
| Plant and equipment - at cost | 801,929 | 783,970 |
| Less: Accumulated depreciation | (234,284) | (158,097) |
| | 567,645 | 625,873 |
| Network infrastructure | 4,331,612 | 3,838,077 |
| Less: Accumulated depreciation | (929,533) | (658,869) |
| | 3,402,079 | 3,179,208 |
| | 4,063,795 | 3,828,944 |

Reconciliation:

| | Leasehold improvement | Plan and equipment | Network infrastructure | Total |
|------------------------------------|-----------------------|--------------------|------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | 23,863 | 625,873 | 3,179,208 | 3,828,944 |
| Additions | 89,341 | - | 648,949 | 738,290 |
| Disposals | - | (1,174) | (113,915) | (115,089) |
| Depreciation expense | (19,133) | (57,054) | (312,163) | (388,350) |
| Balance at 31 December 2020 | 94,071 | 567,645 | 3,402,079 | 4,063,795 |

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

Note 8. Non-current assets - intangibles

| | Consolidated | |
|---|----------------|----------------|
| | 31 Dec 20 | 31 Dec 19 |
| | \$ | \$ |
| Trademarks and design | 40,822 | 21,453 |
| Less: Impairment | - | - |
| | 40,822 | 21,453 |
| Software | 182,818 | 154,148 |
| Less: Accumulated amortisation | (135,731) | (68,168) |
| | 47,087 | 85,980 |
| Intellectual property | 100,000 | 100,000 |
| Less: Accumulated amortisation | - | - |
| | 100,000 | 100,000 |
| Other intangible assets | 170,038 | 170,038 |
| Less: Accumulated amortisation and impairment | (21,557) | (15,083) |
| | 148,481 | 154,955 |
| | 336,390 | 362,388 |

Reconciliations

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

| | Trademarks and design | Software | Other intangible assets | Intellectual property | Total |
|------------------------------------|--------------------------|---------------|-------------------------------|--------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | 21,453 | 85,980 | 154,955 | 100,000 | 362,388 |
| Additions | 19,369 | 28,670 | - | - | 48,039 |
| Amortisation expense | - | (67,563) | (6,474) | - | (74,037) |
| Impairment | - | - | - | - | - |
| Balance at 31 December 2020 | 40,822 | 47,087 | 148,481 | 100,000 | 336,390 |

Pentamet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

Note 9. Current and Non-current liabilities - borrowings

| | Consolidated | |
|------------------------------|------------------|------------------|
| | 31 Dec 20 | 30 Jun 20 |
| | \$ | \$ |
| Current | | |
| Right of use lease liability | 448,257 | 412,601 |
| Other loans | 103,937 | 82,215 |
| Convertible notes | - | 2,774,968 |
| Unissued share capital | 5,272,500 | - |
| | 5,824,694 | 3,269,784 |
| Non-current | | |
| Right of use lease liability | 846,959 | 1,145,653 |
| Other loans | 49,602 | 118,415 |
| Convertible notes | - | - |
| | 896,561 | 1,264,068 |

Unissued share capital relates to cash received for shares to be issued on completion of the IPO. Upon completion of the IPO shares were issued.

On the 7th of January 2021 Pentamet Ltd received the remaining funds raised under the IPO of \$17,187,500 and issued the shares.

Convertible notes held by various lenders were converted to shares prior to admission to the ASX. 23,387,509 Shares were issued upon the conversion of Convertible Notes (and accrued interest) and 6,256,427 Shares issued upon exercise of all Convertible Note Options.

Craig Amos (non-executive director) converted 551,283 options into ordinary shares.

Dalton Gooding (non-executive director) converted 275,641 options into ordinary shares.

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

| | Consolidated | |
|---|-------------------|------------------|
| | 31 Dec 20 | 30 Jun 20 |
| Note 10. Equity - Issued Capital | \$ | \$ |
| Issue of shares | 16,857,859 | 8,478,055 |
| Share issue costs | (339,182) | (339,182) |
| Total share capital | 16,518,677 | 8,138,873 |

| Details | Date | Shares | Share Price | |
|---|-----------|--------------------|-------------|-------------------|
| | | | \$ | \$ |
| Movement in ordinary share capital | | | | |
| Opening Balance 1 July 2020 | | 131,750,999 | | 8,138,873 |
| Exercise of convertible note options | 11 Dec 20 | 26,902,594 | 0.250 | 6,725,648 |
| Exercise of options | 11 Dec 20 | 1,500,000 | 0.150 | 225,000 |
| Exercise of convertible note options | 11 Dec 20 | 2,741,342 | 0.250 | 685,336 |
| Exercise of options | 11 Dec 20 | 2,000,000 | 0.100 | 200,000 |
| Exercise of employee share options | 11 Dec 20 | 5,215,000 | 0.028 | 146,020 |
| Exercise of employee share options | 11 Dec 20 | 3,060,000 | 0.130 | 397,800 |
| Closing Balance as at 31 December 2020 | | 173,169,935 | | 16,518,677 |

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 11. Contingent assets

There were no changes to contingent assets since 30 June 2020.

Note 12. Contingent liabilities

There were no changes to contingent liabilities since 30 June 2020.

Note 13. Related party transactions

Parent entity

Pentanet Ltd is the parent entity.

Key Management Personnel

Directors are listed in the Directors report.

Pentanet Ltd has entered into a non-executive director appointment contract with David Buckingham which govern the terms of his appointment as Non-Executive Director of the Company. David Buckingham will act as Chair of the Board.

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

Note 13. Related party transactions continued

Pentanet Ltd spent \$15,976 with DFK Gooding Partners during the half-year, on commercial terms and market rates, which is a director related entity (Dalton Gooding), with no balance relating to this fee outstanding as at 31 December 2020.

Pentanet Ltd spent \$37,389 with The Cornish Property Trust during the half-year, on commercial terms and market rates, which is a related party of a director related entity (Stephen Cornish and Timothy Cornish), with no balance relating to this fee outstanding as at 31 December 2020

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

| Director | Capacity | Tranche 1 | Tranche 2 | Tranche 3 | Total options granted |
|------------------|------------------------|------------------|------------------|------------------|-----------------------|
| David Buckingham | Non-Executive Chairman | 1,000,000 | 1,000,000 | 1,000,000 | 3,000,000 |
| Stephen Cornish | Managing Director | 3,300,000 | 3,300,000 | 3,300,000 | 9,900,000 |
| Timothy Cornish | Executive Director | 2,200,000 | 2,200,000 | 2,200,000 | 6,600,000 |
| Craig Amos | Non-Executive Director | 600,000 | 600,000 | 600,000 | 1,800,000 |
| Dalton Gooding | Non-Executive Director | 800,000 | 800,000 | 800,000 | 2,400,000 |
| | | 7,900,000 | 7,900,000 | 7,900,000 | 23,700,000 |

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

Tranche 1 Options have an issue price of \$0.25 and have an exercise price of \$0.30

Tranche 2 Options have an issue price of \$0.25 and have an exercise price of \$0.37

Tranche 3 Options have an issue price of \$0.25 and have an exercise price of \$0.50

| Director | Capacity | Fair value at grant date: Tranche 1 \$ | Fair value at grant date: Tranche 2 \$ | Fair value at grant date: Tranche 3 \$ | Total value of options granted \$ |
|------------------|------------------------|--|--|--|--------------------------------------|
| David Buckingham | Non-Executive Chairman | 157,486 | 148,040 | 134,024 | 439,550 |
| Stephen Cornish | Managing Director | 519,703 | 488,531 | 442,280 | 1,450,514 |
| Timothy Cornish | Executive Director | 346,469 | 325,688 | 294,853 | 967,010 |
| Craig Amos | Non-Executive Director | 94,491 | 88,824 | 80,414 | 263,729 |
| Dalton Gooding | Non-Executive Director | 125,989 | 118,432 | 107,219 | 351,640 |
| | | 1,244,138 | 1,169,515 | 1,058,790 | 3,472,443 |

For the options granted during the interim half-year reporting period ending 31 December 2020, the valuation model inputs used to determine the fair value at grant date, are as follows:

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

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

Note 14. Events after the reporting period

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

On 29 January 2020 Pentanet listed on the ASX.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 15. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 20 | 31 Dec 19 |
| | \$ | \$ |
| Loss after income tax | (11,155,048) | (3,056,451) |
| Loss after income tax attributable to the owners of Pentanet Group Ltd | (11,155,048) | (3,056,451) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 118,108,205 | 115,838,671 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 135,994,233 | 119,775,315 |
| | Cents | Cents |
| Basic (loss) per share attributable to owners of Pentanet Group | (0.09) | (0.03) |

Note 16. Share-based payment

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

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

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

Pentanet Ltd
Notes to the financial statements
For the half-year ended 31 December 2020

2019

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ Forfeited/ other | Balance at the end of the period |
|------------|-------------|----------------|----------------------------------|-----------|-----------|---------------------------|----------------------------------|
| \$ | | | | | | | |
| 27/09/2019 | 5/04/2020 | 0.100 | - | 2,000,000 | - | - | 2,000,000 |
| 27/09/2019 | 31/12/2020 | 0.028 | - | 5,215,000 | - | - | 5,215,000 |
| 27/09/2019 | 30/06/2021 | 0.130 | - | 3,555,000 | - | - | 3,555,000 |
| 27/09/2019 | 30/06/2021 | 0.130 | - | 6,955,000 | - | - | 6,955,000 |
| 27/09/2019 | 30/06/2021 | 0.130 | - | 4,355,000 | - | - | 4,355,000 |

The weighted average options exercise price of all unexercised options on issue at the end of 30 June 2020 was \$0.078
 No options were exercised, expired or forfeited during the year ended 30 June 2020.
 The weighted average remaining contractual life of options outstanding at the end of the financial year was 1 year.

2020

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ Forfeited/ other | Balance at the end of the period |
|------------|-------------|----------------|----------------------------------|-----------|-------------|---------------------------|----------------------------------|
| \$ | | | | | | | |
| 27/09/2019 | 5/04/2020 | 0.100 | 2,000,000 | - | (2,000,000) | - | - |
| 27/09/2019 | 31/12/2020 | 0.028 | 5,215,000 | - | (5,215,000) | - | - |
| 27/09/2019 | 30/06/2021 | 0.130 | 3,555,000 | - | (1,455,000) | - | 2,100,000 |
| 27/09/2019 | 30/06/2021 | 0.130 | 6,955,000 | - | - | (6,955,000) | - |
| 27/09/2019 | 30/06/2021 | 0.130 | 4,355,000 | - | (1,605,000) | - | 2,750,000 |
| 27/11/2020 | 30/06/2024 | 0.300 | - | 9,870,000 | - | - | 9,870,000 |
| 27/11/2020 | 30/06/2024 | 0.370 | - | 9,870,000 | - | - | 9,870,000 |
| 27/11/2020 | 30/06/2024 | 0.500 | - | 9,870,000 | - | - | 9,870,000 |

The weighted average options exercise price of all unexercised options on issue at the end of 31 December 2020 was \$0.050
 During the interim half-year reporting period ending 31 December 2020, 10,275,000 options were exercised and 6,955,000 were cancelled.

For the options granted during the interim half-year reporting period ending 31 December 2020, the valuation model inputs used to determine the fair value at grant date, are as follows:

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

| | Consolidated | |
|---|------------------|----------------|
| | 31 Dec 20 | 31 Dec 19 |
| | \$ | \$ |
| Share based payment expense reconciliation | | |
| Issue of share options to directors and employees under incentive option scheme | 4,459,854 | 995,498 |
| | 4,459,854 | 995,498 |

DIRECTOR'S DECLARATION 31 DECEMBER 2020

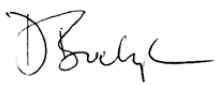
In the directors' opinion:

the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

Signed on behalf of the directors:

Signed  _____

David Buckingham
Non-Executive Chairman
17 February 2021
Perth

AUDITOR'S INDEPENDENCE DECLARATION



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pentanet Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Pentanet Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

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

Glyn O'Brien

Director

Perth, 17 February 2021