



# PENTANET

APPENDIX 4D



**ASX: 5GG**

**ASX ANNOUNCEMENT**

**17<sup>TH</sup> FEB 2022**

**PENTANET LTD**  
**APPENDIX 4D – HALF-YEAR REPORT**  
**31 DECEMBER 2021**

**1. Company details**

Name of entity:	Pentanet Limited
ABN:	29 617 506 279
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

**2. Results for announcement to the market**

				<b>\$'000</b>
Revenues from ordinary activities	up	67%	to	7,954
EBITDA <sup>1</sup> Loss	down	73%	to	(1,745)
Loss from ordinary activities after tax attributable to the owners of Pentanet Ltd	down	70%	to	(3,305)
Loss for the half-year attributable to the owners of Pentanet Ltd	down	70%	to	(3,305)

**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**

Pentanet Ltd is pleased to announce its interim results for the half-year ended 31 December 2021 with continued revenue growth in both business segments. Revenue for the half-year increased by 67% to \$8m. In addition, year-on-year (“YoY”) recurring network revenue increased by 66% to \$6.8m, supported by good YoY subscriber growth up by 55% to 14,798.

Cost efficiencies and operating leverage provided by the fixed wireless service offering underpinned gross profit increasing by 100% to \$3.8m and gross margin expansion to 49% (31 December 2020: 41%).

Net loss after tax for the half-year was \$3.3m (31 December 2020: \$11.2m including \$8.7 IPO related cost). This loss was mainly driven by higher growth-related investments in operating overheads to support growth across each service offering and, in particular brand advertising following the commercial launch in October 2021 of GeForce NOW Powered by Pentanet, NVIDIA's premier cloud-based game streaming service.

At launch, two limited-time Founders subscription tiers were released offering a 'Priority' membership for \$19.99 per month, or a 12-month subscription paid upfront in advance for \$17.99 per month and a 'Basic' memberships allowing players to check out a limited version of the service for free for a limited time with limiting features.

As at 31 December 2021, more than 58,000 gamers across Australia and New Zealand have enjoyed over 30 million minutes of streamed game time. In addition, increased investment in marketing in December 2021 yielded considerable activity on the platform, with membership numbers growing by more than 50% for the month. Post end of the Half, Pentanet confirmed on 8 February that the service then had 92,000 active members.

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

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The platform's sustained growth in popularity provides Pentanet with an engaged channel to grow paid Priority subscriptions, with a continued marketing focus on increasing upgrade conversions to paying subscribers.

In December 2021, Pentanet acquired a 13.4% stake in CANOPUS Networks Pty Ltd (CANOPUS) for \$4m in cash and executed a Memorandum of Understanding to enter a strategic partnership for the co-development of Pentanet Ltd's unique gamified telecommunications and gaming loyalty platform, Cloud.GG, using CANOPUS' FlowPulse analytics technology. The partnership aligns with Pentanet's strategy to create additional revenue-generating opportunities by further developing its Cloud.GG portal into a gamified network loyalty, rewards and incentive program to create Pentanet's new telco meta currency.

The Company is in a solid financial position with \$20.1m cash reserves on its balance sheet to scale and support network upgrades and product rollouts and to increase capacity and accelerate future revenue growth further.

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

**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>0.10</u>	<u>0.02</u>

**4. Control gained over entities**

Not applicable.

**5. Loss of control over entities**

Not applicable.

**6. Details of associates 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.

**PENTANET LTD**  
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**31 DECEMBER 2021**

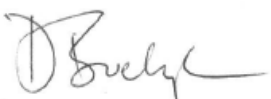
**8. Attachments**

*Details of attachments (if any):*

The Interim Report of Pentanet Ltd for the half-year ended 31 December 2021 is attached.

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**9. Signed**

Signed  \_\_\_\_\_

David Buckingham  
Non-Executive Chairman  
Perth  
17<sup>th</sup> February 2022

**PENTANET LTD**  
**APPENDIX 4D – HALF-YEAR REPORT**

**INTERIM FINANCIAL REPORT – 31 DECEMBER 2021**

This interim financial report does not include all 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 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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General Information

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

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

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<sup>th</sup> of February 2022.

**PENTANET LTD**  
**APPENDIX 4D – HALF-YEAR REPORT**

**CORPORATE DIRECTORY 31 DECEMBER 2021**

<b>Directors</b>	David Buckingham Stephen Cornish Timothy Cornish Dalton Gooding	Non-Executive Chairman Managing Director Executive Director Non-Executive Director
<b>Company Secretary</b>	Patrick Holywell	
<b>Registered Office</b>	Unit 2, 8 Corbusier Place, Balcatta 6021	
<b>Principal Place of Business</b>	Level 4, 45 St Georges Terrace, Perth WA, 6000	
<b>Share Register</b>	Automic Group Level 5, 191 St Georges Terrace, Perth, 6000, WA	
<b>Auditors</b>	BDO Audit (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2, 5 Spring St, Perth WA, 6000	
<b>Stock Exchange Listing</b>	Pentanet Ltd shares are listed on the Australian Securities Exchange (ASX code: 5GG)	

## **DIRECTORS' REPORT**

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 2021.

### **Directors**

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

David Buckingham (Chairman)  
Dalton Gooding  
Stephen Cornish  
Timothy Cornish  
Craig Amos (retired on 23 November 2021)

### **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 and gaming technology services.

### **Review of operations**

Pentanet Ltd is pleased to announce its interim results for the half-year ended 31 December 2021 with continued revenue growth in both business segments. Revenue for the half-year increased by 67% to \$8m. In addition, year-on-year ("YoY") recurring network revenue increased by 66% to \$6.8m, supported by good YoY subscriber growth up by 55% to 14,798.

Cost efficiencies and operating leverage provided by the fixed wireless service offering underpinned gross profit increasing by 100% to \$3.8m and gross margin expansion to 49% (31 December 2020: 41%).

Net loss after tax for the half-year was \$3.3m (31 December 2020: \$11.2m including \$8.7 IPO related cost). This loss was mainly driven by higher growth-related investments in operating overheads to support growth across each service offering and, in particular brand advertising following the commercial launch in October 2021 of GeForce NOW Powered by Pentanet, NVIDIA's premier cloud-based game streaming service.

At launch, two limited-time Founders subscription tiers were released offering a 'Priority' membership for \$19.99 per month, or a 12-month subscription paid upfront in advance for \$17.99 per month and a 'Basic' memberships allowing players to check out a limited version of the service for free for a limited time with limiting features.

As at 31 December 2021, more than 58,000 gamers across Australia and New Zealand have enjoyed over 30 million minutes of streamed game time. In addition, increased investment in marketing in December 2021 yielded considerable activity on the platform, with membership numbers growing by more than 50% for the month. Post end of the Half, Pentanet confirmed on 8 February that the service then had 92,000 active members.

The platform's sustained growth in popularity provides Pentanet with an engaged channel to grow paid Priority subscriptions, with a continued marketing focus on increasing upgrade conversions to paying subscribers.

**PENTANET LTD**  
**Directors' Report**  
**31 December 2021**

In December 2021, Pentanet acquired a 13.4% stake in CANOPUS Networks Pty Ltd (CANOPUS) for \$4m in cash and executed a Memorandum of Understanding to enter a strategic partnership for the co-development of Pentanet Ltd's unique gamified telecommunications and gaming loyalty platform, Cloud.GG, using CANOPUS' FlowPulse analytics technology. The partnership aligns with Pentanet's strategy to create additional revenue-generating opportunities by further developing its Cloud.GG portal into a gamified network loyalty, rewards and incentive program to create Pentanet's new telco meta currency.

The Company is in a solid financial position with \$20.1m cash reserves on its balance sheet to scale and support network upgrades and product rollouts and to increase capacity and accelerate future revenue growth further.

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

**Significant changes in the state of affairs**

Significant changes in state of affairs of Pentanet during the half-year were as follows:

On 20th October 2021, Pentanet successfully launched GeForce NOW, NVIDIA's premier cloud-based game streaming service adding to the business continuing activities.

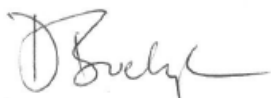
In December 2021, Pentanet acquired a 13.4% stake in Canopus Networks Pty Ltd. The acquisition is consistent with Pentanet's strategy to create additional revenue generating opportunities by further developing Pentanet's Cloud.GG portal (see note 10).

**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.

On behalf of the directors



David Buckingham  
Non-Executive Chairman

17 February 2022  
Perth





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

Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth, WA 6000  
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 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a thin horizontal line.

**Glyn O'Brien**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth, 16 February 2022

**PENTANET LTD**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2021**

		Consolidated	
	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Revenue</b>	3	7,954	4,757
<b>Other income</b>		47	166
<b>Expenses</b>	4		
Network, carrier and hardware expenses		(4,072)	(2,813)
Employee benefits expense		(3,016)	(2,772)
Share based payments		-	(4,460)
Other expenses		(2,658)	(1,443)
<b>Loss before finance costs, depreciation and amortisation and impairment expenses</b>		<u>(1,745)</u>	<u>(6,565)</u>
Finance costs	4	(66)	(3,874)
Depreciation, amortisation and impairment expense	4	<u>(1,493)</u>	<u>(717)</u>
<b>Loss before income tax expense for the half-year</b>		<u>(3,305)</u>	<u>(11,155)</u>
Income tax expense		-	-
<b>Loss after income tax for the half-year attributable to the owners of Pentanet Ltd</b>		<u>(3,305)</u>	<u>(11,155)</u>
<b>Other comprehensive income</b>			
Changes in fair value of equity investments at fair value through other comprehensive income		-	-
<b>Total comprehensive loss for the half-year attributable to the owners of Pentanet Ltd</b>		<u>(3,305)</u>	<u>(11,155)</u>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share attributable to owners of Pentanet Ltd	17	(0.01)	(0.09)

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

**PENTANET LTD**  
**Statement of financial position**  
**As at 31 December 2021**

	Note	Consolidated 30 Jun 2021 \$'000	31 Dec 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	20,190	32,705
Trade and other receivables		181	116
Inventories		185	163
Deposits and prepayments		143	397
Total current assets		20,700	33,381
<b>Non-current assets</b>			
Right-of-use assets	6	1,724	1,546
Plant and equipment	7	14,833	9,229
Intangible assets	8	8,807	9,041
Financial assets at fair value fair value through other comprehensive income	9	4,000	-
Total non-current assets		29,365	19,816
<b>Total assets</b>		<b>50,064</b>	<b>53,197</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	2,262	2,636
Contract liabilities		127	80
Employee benefits		323	227
Lease liabilities	11	654	479
Other liabilities	12	1,967	380
Total current liabilities		5,333	3,802
<b>Non-current liabilities</b>			
Contract liabilities		4	23
Employee benefits		-	53
Lease liabilities	11	982	1,008
Other liabilities	12	5,568	6,959
Total non-current liabilities		6,554	8,043
<b>Total liabilities</b>		<b>11,887</b>	<b>11,845</b>
<b>Net assets</b>		<b>38,177</b>	<b>41,352</b>
<b>Equity</b>			
Share capital	13	57,344	57,214
Reserves		5,568	5,568
Accumulated losses		(24,735)	(21,430)
<b>Total equity</b>		<b>38,177</b>	<b>41,352</b>

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

**PENTANET LTD**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2021**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2020	8,139	1,108	(7,733)	1,514
Loss after income tax expense for the half-year	-	-	(11,155)	(11,155)
Other comprehensive loss for the half-year, net of tax	-	-	-	-
<b>Total comprehensive loss for the half-year</b>			<b>(11,155)</b>	<b>(11,155)</b>

*Transactions with owners in their capacity as owners:*

Issue of shares	8,380	-	-	8,380
Share issue costs	-	-	-	-
Share-based payments	-	4,460	-	4,460
<b>Balance at 31 December 2020</b>	<b>16,519</b>	<b>5,568</b>	<b>(18,888)</b>	<b>3,198</b>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2021	57,214	5,568	(21,430)	41,352
Loss after income tax expense for the half-year	-	-	(3,305)	(3,305)
Other comprehensive loss for the half-year, net of tax	-	-	-	-
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>-</b>	<b>(3,305)</b>	<b>(3,305)</b>

*Transactions with owners in their capacity as owners:*

Issue of shares	13	130	-	130
Share issues costs	-	-	-	-
Share-based payments	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>57,344</b>	<b>5,568</b>	<b>(24,735)</b>	<b>38,177</b>

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

**PENTANET LTD**  
**Statement of cash flows**  
**For the half-year ended 31 December 2021**

	Note	Consolidated	
		31 Dec 2021	31 Dec 2020
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		7,985	4,926
Payments to suppliers and employees (inclusive of GST)		(9,005)	(5,359)
<b>Cash generated from operations</b>		<b>(1,020)</b>	<b>(434)</b>
Interest received		-	-
Interest and other finance costs paid		(66)	(51)
Income taxes paid		-	-
<b>Net cash used in operating activities</b>		<b>(1,086)</b>	<b>(485)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(6,973)	(623)
Payments for intangible assets		1,354	(61)
Payments for financial assets at fair value through other comprehensive income	9	(4,000)	-
<b>Net cash used in investing activities</b>		<b>(9,619)</b>	<b>(684)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		(1,609)	5,225
Payments of lease liabilities		(330)	(286)
Proceeds from issue of shares		130	1,238
<b>Net cash used/generated in financing activities</b>		<b>(1,810)</b>	<b>6,178</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(12,515)</b>	<b>5,009</b>
Cash and cash equivalents at the beginning of the financial half-year		32,705	1,273
<b>Cash and cash equivalents at the end of the financial half-year</b>		<b>20,190</b>	<b>6,283</b>

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

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated, except for the new accounting policy for financial assets measured at fair value through other comprehensive income as disclosed in note 9.

**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. The consolidated entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

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

**Note 2. Operating segments**

*Identification of reportable operating segments*

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

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

*Major customers*

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

*Operating segments*

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

- Internet and related services
- Gaming and gaming technology services

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

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 2. Operating segments (continued)**

*Operating revenues and results*

	<b>Internet Services</b>	<b>Gaming and gaming technology services</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated – 31 December 2021</b>			
<b>Revenue</b>	7,533	421	7,954
Total revenue	7,533	421	7,954
Other revenue	-	-	-
Total segment revenue	7,533	421	7,954
<b>EBITDA</b>	(1,404)	(341)	(1,745)
Depreciation and amortisation	(1,382)	(112)	(1,494)
Interest income	-	-	-
Finance costs	(66)	-	(66)
Loss before income tax expense	(2,853)	(112)	(3,305)
Income tax expense	-	-	-
Loss after income tax expense	(2,853)	(452)	(3,305)
<b>Consolidated – 31 December 2020</b>			
Revenue	4,757	-	4,757
Total revenue	4,757	-	4,757
Other revenue	-	-	-
Total segment revenue	4,757	-	4,757
<b>EBITDA</b>	(6,454)	(111)	(6,565)
Depreciation and amortisation	(669)	(48)	(717)
Interest income	-	-	-
Finance costs	(3,874)	-	(3,874)
Loss before income tax expense	(10,997)	(159)	(11,155)
Income tax expense	-	-	-
Loss after income tax expense	(10,997)	(159)	(11,155)
<b>Total segment assets</b>			
31 December 2021	43,361	6,703	50,064
30 June 2021	50,026	3,171	53,197
<b>Total segment liabilities</b>			
31 December 2021	11,727	160	11,887
30 June 2021	11,824	21	11,845

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 3. Revenue**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Revenue from contracts with customers</i>		
Rendering a service – telecommunication service	308	310
Rendering a service – recurring network revenues	6,841	4,124
Gaming and gaming technology services	421	-
Sale of goods	384	324
<b>Total revenue</b>	<b>7,954</b>	<b>4,757</b>

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

**Note 4. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Loss before tax includes the following specific expenses</b>		
Network, carrier and hardware expenses	4,072	2,813
Employee benefits expense	3,016	2,772
Share-based payments expense	-	4,460
Bad debts	17	9
Bank and transaction costs	103	71
Legal and professional services	378	66
Insurance	170	75
IPO related costs	-	403
Repairs and maintenance	15	27
Software subscriptions	127	43
Operating expenses	1,630	566
Office and staff costs	218	182
<b>Total other expenses</b>	<b>2,658</b>	<b>1,443</b>
Finance Costs		
Finance costs on loans	36	18
Finance cost on leases	30	33
Finance cost on convertible notes	-	3,823
<b>Total finance costs</b>	<b>66</b>	<b>3,874</b>
<b>Depreciation</b>		
Leasehold improvements	18	19
Plant and equipment	118	57
Right of use assets	300	312
Network infrastructure	596	242
Amortisation	458	83
Impairment of intangible asset	4	4
<b>Total Depreciation, amortisation and impairment</b>	<b>1,493</b>	<b>717</b>



**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 5. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	8,366	32,705
Term deposits	11,825	-
<b>Total cash and cash equivalents</b>	<b><u>20,190</u></b>	<b><u>32,705</u></b>

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

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Office lease	345	279
Less: Accumulated depreciation	<u>(217)</u>	<u>(179)</u>
	128	100
Network infrastructure – at cost	2,711	2,295
Less: Accumulated depreciation	<u>(1,114)</u>	<u>(849)</u>
	<u>1,596</u>	<u>1,446</u>
	<b><u>1,724</u></b>	<b><u>1,546</u></b>

**Reconciliation:**

<b>Consolidated</b>	<b>Network Infrastruc ture</b>	<b>Office Lease</b>	<b>Total</b>
Balance at 1 July 2021	1,446	100	1,546
Additions	416	66	482
Depreciation expense	(265)	(38)	(304)
Balance at 31 December 2021	<b><u>1,596</u></b>	<b><u>128</u></b>	<b><u>1,724</u></b>

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 7. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun</b>
	<b>\$'000</b>	<b>2021</b>
		<b>\$'000</b>
Leasehold improvements - at cost	245	124
Less: Accumulated depreciation	(52)	(34)
	<u>193</u>	<u>90</u>
Plant and equipment - at cost	1,500	1,251
Less: Accumulated depreciation	(455)	(334)
	<u>1,045</u>	<u>917</u>
Network infrastructure - at cost	15,410	9,483
Less: Accumulated depreciation	(1,815)	(1,261)
	<u>13,595</u>	<u>8,222</u>
	<b><u>14,833</u></b>	<b><u>9,229</u></b>

*Reconciliations*

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

<b>Consolidated</b>	<b>Leasehold improvements \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Network infrastructure \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2021	90	918	8,222	9,229
Additions	121	270	6,049	6,440
Disposals	-	(25)	(81)	(105)
Depreciation expense	(18)	(118)	(595)	(731)
<b>Balance at 31 December 2021</b>	<b><u>193</u></b>	<b><u>1,045</u></b>	<b><u>13,595</u></b>	<b><u>14,833</u></b>

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 8. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Trademarks and design - at cost	47	47
Less: Accumulated amortisation	(4)	(1)
	<u>43</u>	<u>46</u>
Software - at cost	242	241
Less: Accumulated amortisation	(202)	(149)
	<u>40</u>	<u>244</u>
Other intangible assets - at cost	463	273
Less: Accumulated amortisation and impairment	(34)	(29)
	<u>429</u>	<u>244</u>
Licenses - at cost	8,707	8,689
Less: Accumulated amortisation	(413)	(30)
	<u>8,294</u>	<u>8,659</u>
	<b><u>8,807</u></b>	<b><u>9,041</u></b>

Management have performed an impairment assessment with no indicators of impairment being identified.

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 9. Non-current assets – fair value measurement of financial instruments**

The group holds the following financial instruments:

		Consolidated	
	Notes	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Financial Assets			
Trade and other receivables		212	116
Cash and cash equivalents		20,190	32,705
Financial assets at fair value through other comprehensive income	10a	4,000	-
		<u>24,402</u>	<u>32,821</u>

**(a) Financial assets at fair value through other comprehensive income**

*(i) Classification of financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments, and the group considers this classification to be more relevant.

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>Non-current assets</b>		
Unlisted securities		
Canopus Networks Pty Ltd	4,000	-
	<u>4,000</u>	<u>-</u>

*(ii) Acquisition of equity investment:*

Pentanet, on 20 December 2021, acquired a fully diluted 13.4% interest in Canopus Networks Pty Ltd for \$4,000,000. Pentanet is entitled to appoint one director with Mr. Stephen Cornish providing his consent to act as a director of Canopus Networks Pty Ltd. At 31 December 2021 the interest held by Pentanet in Canopus remained 13.4%.

**(d) Fair value measurement**

Financial assets at initial recognition are measured at fair value, with the transaction price paid representing the fair value of the asset at initial recognition.

*Fair value hierarchy*

To provide an indication about the reliability of the inputs used in determining fair value, Pentanet classifies its financial instruments into the three levels prescribed under the accounting standards.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed 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

Level 3: Unobservable inputs for the asset or liability

<b>Consolidated at 31 December 2021</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Financial assets at fair value through other comprehensive income (FVOCI)				
Unlisted equity securities	-	-	4,000	4,000
<b>Total Assets</b>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>

The fair value of the Level 3 financial assets have been based on the cost of the acquisition of the asset on 21 December 2021. The directors consider this to reflect the investment fair value at reporting date. There were no transfers between levels during the financial half-year.

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 10. Current liabilities – trade and other payables**

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Trade payables	1,407	2,030
BAS payable	137	163
Other payables	718	443
<b>Total trade and other payables</b>	<b><u>2,262</u></b>	<b><u>2,636</u></b>

**Note 11. Lease liabilities**

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<b>Current</b>		
Lease liability	<u>654</u>	<u>479</u>
<b>Non-current</b>		
Lease liability	<u>982</u>	<u>1,008</u>
<b>Total lease liabilities</b>	<b><u>1,636</u></b>	<b><u>1,487</u></b>

**Note 12. Other liabilities**

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
<b>Current</b>		
Term purchases	262	256
Intangible asset finance	1,705	124
<b>Total current other liabilities</b>	<b><u>1,967</u></b>	<b><u>380</u></b>
<b>Non-current</b>		
Term purchases	391	225
Intangible asset finance	5,177	6,734
<b>Total non-current other liabilities</b>	<b><u>5,568</u></b>	<b><u>6,959</u></b>
<b>Total other liabilities</b>	<b><u>7,535</u></b>	<b><u>7,339</u></b>

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 13. Equity – issued capital**

	Consolidated			
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>295,797,713</u>	<u>294,797,713</u>	<u>57,344</u>	<u>57,214</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2021	294,797,713		57,214
Exercise of options	24 November 2021	1,000,000	0.13	130
Balance	31 December 2021	<u>295,797,713</u>		<u>57,344</u>

*Ordinary shares*

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

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

*Share buy-back*

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

**Note 14. Contingent Assets**

There were no changes to contingent assets since 30 June 2021.

**Note 15. Contingent liabilities**

Pentanet has guarantee facilities of \$512,380 (30 June 2021: \$187,823) available for utilisation.

**Note 16. Related party transactions**

*Parent entity*

Pentanet Ltd is the parent entity.

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

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

Directors are listed in the directors' report.

There have been no changes to the related party arrangements since 30 June 2021.

*Loans to/from related parties*

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

**PENTANET LTD**  
**Notes to the financial statements**  
**31 December 2021**

**Note 17. Loss per share**

	<b>Consolidated</b>	
	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Loss per share for loss from continuing operations</i>		
Loss after income tax	(3,305)	(11,155)
Loss after income tax attributable to the owners of Pentanet Limited	<u>(3,305)</u>	<u>(11,155)</u>
<i>Weighted number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic EPS	<u>294,999,899</u>	<u>135,994,233</u>
	<b>Cents</b>	<b>Cents</b>
Basic (loss) per share attributable to owners of Pentanet Ltd	(0.01)	(0.09)

**Note 18. Events after the reporting period**

No matters or circumstances have arisen since 31 December 2021 that have 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 periods.

**PENTANET LTD**  
**Directors' declaration**  
**31 December 2021**

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 2021 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.

On behalf of the directors



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David Buckingham  
Non-Executive Director

17 February 2022  
Perth





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

Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth, WA 6000  
PO Box 700 West Perth WA 6872  
Australia

## 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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant 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 2021 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 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 2021 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**

BDO  


**Glyn O'Brien**

**Director**

Perth, 16 February 2022