

PENTANET GEARS UP FOR COMMERCIAL LAUNCH OF NEXUS

HIGHLIGHTS

- 52% YoY increase in revenue to \$4.4m (+8% QoQ)
- \$4.4m in quarterly cash receipts from subscribers, up 56% YoY (+3% QoQ)
- 15,932 subscribers on 31 March 2022, up 45% YoY (+8% QoQ)
- 1,612 new subscribers were added to the network in the March 2022 quarter
- On-net (fixed wireless) customers made up 40% of total subscribers
- neXus campaign generated 10,000+ registrations of interest to end March 2022, providing support for coverage expansion efforts
- GeForce NOW cloud gaming memberships exceeded 128,000+ with over 70 million minutes of streamed gameplay

Pentanet Managing Director, Mr Stephen Cornish, said the success of the 'Operation neXus' campaign launch demonstrates a strong demand for neXus in Perth. The campaign has so far generated over 10,000 registrations of interest from the community, who are keen to form part of the initial neXus mesh. Pentanet's focus remains on scaling the coverage density across the Perth metro area as our field teams continue to undertake the targeted infrastructure rollout in anticipation of activating the first wave of revenue-generating connections to Perth homes in Q4FY22.

"I'm excited about the growth opportunity we have laid ahead of us as we enter Q4FY22 and we are looking forward to being able to demonstrate how nexus can disrupt the markets we deploy it into. We are building on the foundations of the core business with Cloud Gaming and Wireless Technologies, and will continue to step towards integration of the next phase of the Cloud.GG Software to gamify our network.

We also welcomed Ms Sian Whyte to the board in the March Quarter. Sian is the perfect addition to the team, bringing valuable skills and expertise to help guide the Company through its next stage of growth, innovation, and expansion at the leading edge of Australia's digital future. Her knowledge and experience will help to shape our next stage of scale."

OPERATIONAL

GeForce NOW Cloud Gaming

The GeForce NOW Powered by Pentanet ecosystem continues to grow across Australia. The cloud gaming platform's user base has reached 128,000 registered members, with a recorded 3.2 million game sessions accounting for over 70 million minutes played on the platform since launch.

With new games added regularly, Pentanet anticipates solid ongoing growth of the platform. In Q3FY22, NVIDIA and Epic Games launched a limited-time closed mobile beta for the world's most popular video game, Fortnite, on GeForce NOW. Streamed through the Safari web browser on iOS and the GeForce NOW Android app, the invite-only Fortnite for Mobile beta is designed to test server capacity, graphics delivery, and the performance of new touch controls designed specifically for the mobile version of the platform. In addition, the GeForce NOW application is now also available on LG Electronics' range of 4K UHD TVs running webOS 6.0, opening yet another channel for growth.

As Pentanet continues to demonstrate the capability of the platform on Australian internet, the demand for the service continues to accelerate and channels for growth expand. The Company's focus has shifted to converting more users to a paid subscription by looking to introduce new mid-tier plans, priced between Basic and Priority in Q4FY22. The mid-tier plans are expected to drive scale and growth in recurring service revenue and earnings.

Telecommunications

Registrations of interest (ROIs) for neXus have continued to rise, from 4,900 registrations in Q2FY22 to 10,000+ in Q3FY22. The important milestone of 10,000 registrations sets a strong foundation for the Company's coverage expansion efforts. Strong ROI figures are critical for planning long-term coverage density, optimising return on capital investment, and maintaining network rollout efficiency as Pentanet builds out neXus.

Pentanet is also in the process of ramping up operational capacity to address the growing demand for neXus, deploying over 300 'Meshy Boi' distribution points, creating additional coverage for 6,000 neXus subscribers throughout Q3FY22 to increase the network's coverage in preparation for the commercial launch.

Challenges around temporary capacity constraints on the Company's foundation (legacy) fixed wireless network started to ease as the team navigated continued upgrades, expansion, and optimisation of the wireless and core network. Overall subscriber growth increased by 8% QoQ (45% YoY) to 15,932 despite these challenges.

Monthly customer churn has increased from 0.89% to 1.02%. The increased churn was mainly impacted by increased interstate relocation churn notices with the WA borders opening, with the majority of churn relating to off-net nbn™ subscribers. Deployment of neXus will increase overall coverage and network capacity, improving customer retention through enhanced quality of experience on Pentanet's network.

8% subscriber growth in Q3 supported revenue growth for the quarter. The \$4.4 million revenue reported in Q3 grew by 8% QoQ (+52% YoY) compared to Q2FY22. Recurring revenue of \$3.8 million was up by 7% QoQ (+53% YoY) compared to Q2FY22 and comprised 88% of total revenue. Supply chain challenges have begun to ease, increasing equipment availability and resulting in a 17% improvement in non-recurring revenue due to higher equipment sales volume. Blended ARPU remained consistent at \$89 in Q3FY22.

Gross profit increased by 9% QoQ to \$2.1 million (+61% YoY), with gross margin also increasing from 47% to 48%, driven by continued subscriber growth on a high-margin fixed wireless network.

As a percentage of revenue, advertising and marketing costs increased from 10% to 15% in Q3FY22, with most marketing spend geared towards generating neXus ROIs. The efficient and effective marketing execution for the neXus rollout has continued to deliver strong results with over 10,000 total pre-registrations, over half of which have no active service on Pentanet's network. The interest received supports Pentanet's ambition to deploy a large-scale, high-density mesh network ecosystem that will provide subscribers with multiple points of connection and a fast, stable wireless internet connection.

The Company has secured the equipment and capital to deploy neXus rapidly at scale across Perth.

Fixed Wireless

Fixed wireless demand remains substantially above coverage capacity, evidenced by the existing capacity constraints on Pentanet's fixed wireless network. As a result, the on-net subscriber ratio decreased this quarter from 41% to 40% due to the short-term capacity constraints. In addition, gross margin decreased from 87% to 86% in Q3FY22 as underlying semi-fixed costs increased due to scaling the fixed wireless network to support the planned neXus rollout.

Through the March quarter, expanding capacity to roll out neXus remains core to Pentanet's operational focus. The Company remains focused on scaling coverage density across the Perth metro area in preparation for activating the next-generation network in Q4FY22 to service demand for the Company's wireless infrastructure.

Cloud.GG

In December 2021, Pentanet acquired a 13.4% stake in CANOPUS Networks. This partnership will enable the co-development of CloudGG using CANOPUS's Flow Pulse Analytics technology.

Pentanet is pleased to report that the Canopus server and passive taps have been deployed in Sydney. The machine learning model, CANOPUS's Flow Pulse Analytics technology, is currently being trained with GeForce NOW game stream data to be used in the later development of the CloudGG platform, which will enable the creation of a rewards and loyalty platform powered by the technology's deep visibility into real-time network traffic. Ultimately, the CloudGG platform will be turned into a gamified network loyalty, rewards and incentive program to create a new telco meta currency that will translate into dynamic new revenue streams for any network with CloudGG enabled by allowing subscribers to earn digital currency for every action they take online.

FINANCIAL AND CORPORATE

Cash received from customers continued to rise, from \$4.3 million in Q2FY22 to \$4.4 million in Q3FY22 (+3% QoQ, +56% YoY), supported by 8% QoQ subscriber growth.

Operating cash payments are up from \$4.6 million in Q2FY22 to \$6.3 million in Q3FY22. The 26% increase to \$2.6 million for product manufacturing and operating costs is mainly due to increasing stock levels to mitigate supply chain shortages. The 6% increase in staff cost to \$1.7 million is due to additional hires as we scale operations for the rollout of neXus, and the 109% increase in admin and corporate cost to \$1.2 million is due to additional overhead to support growth across each of the gaming and telecommunications segments. Finally, the 109% increase in advertising and marketing to \$0.7 million was mainly spent on generating neXus ROIs that will start generating a return in Q4FY22. The Company continues to invest in marketing and operational capacity to support growth and further position itself to expand the network and increase market share in the gaming and telecommunications segments.

Net cash used in investing activities decreased from \$9.3 million in Q2FY22 to \$1.4 million in Q3FY22 (-68% QoQ). The decrease is mainly attributable to a \$4 million investment in Canopus and \$3.4 million paid for NVIDIA cloud gaming infrastructure in Q2FY22. The \$1.4 million investment in Q3FY22 relates to network infrastructure investment in anticipation of the scaled neXus network rollout in Q4FY22.

The Company is in a strong financial position with cash reserves of \$17 million available to dynamically scale the higher-margin on-net services offered by the Company as it continues to level up Australia's internet and gaming sectors.

USE OF FUNDS AND RELATED PARTY TRANSACTIONS

The Company raised approximately \$22.5 million dollars before costs through its initial public offering (IPO) in January 2021 and an additional \$20 million before costs through a placement in June 2021 (Placement). The March 2022 quarter is included in a period covered by the use of funds statement contained in the IPO prospectus lodged with ASX under Listing Rule 1.1 condition 3.

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

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

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

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

| Use of funds | Prospectus | Actual to Date (27 January to 31 March 2022) | Comment |
|---|------------|--|-----------------------------------|
| | \$'000 | \$'000 | |
| Wireless infrastructure | 8,990 | 5,672 | In line with schedule |
| Network infrastructure | 1,500 | 1,274 | In line with schedule |
| NVIDIA cloud gaming infrastructure | 4,020 | 6,740 | Ahead of schedule refer to Note 1 |
| CloudGG software development & gaming opportunities | - | 4,000 | Refer to Note 1 |
| Working capital and administration | 6,500 | 4,507 | In line with schedule |
| Costs of the Offer | 1,450 | 2,305 | In line with schedule |
| Total Funds allocated | 22,460 | 24,499 | |

Comments:

1. The proposed use of funds outlined in the Company's initial listing prospectus did not include anticipated access to additional sources of capital funding as outlined above in the proceeds from a placement to sophisticated and institutional investors of \$20 million (before costs) in June 2021. With the receipt of additional source of funds, the Company was able to purchase additional NVIDIA's GeForce NOW infrastructure and acquire a 13.4% stake in CANOPUS Networks for \$4m in cash.

In accordance with ASX Listing Rule 4.7C.3, payments in the March 2022 quarter to related parties (and their associates) of \$287,218 included at Item 6 in the Appendix 4C consisted of directors' fees and director associate fees and rent and accounting services paid to associates of directors.

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

FOR FURTHER INFORMATION, PLEASE CONTACT:

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About Pentanet

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

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

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

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

Appendix 4C

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

Name of entity

PENTANET LTD

ABN

29 617 506 579

Quarter ended ("current quarter")

March 2022

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 4,401 | 12,339 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (2,618) | (6,669) |
| (c) advertising and marketing | (688) | (1,380) |
| (d) leased assets | - | (15) |
| (e) staff costs | (1,676) | (4,680) |
| (f) administration and corporate costs | (1,248) | (2,494) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 5 | 5 |
| 1.5 Interest and other costs of finance paid | (38) | (104) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | 47 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (1,862) | (2,951) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (1,369) | (8,599) |
| (d) investments | - | (4,000) |
| (e) intellectual property | - | - |
| (f) other non-current assets | (1) | (327) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (1,370) | (12,926) |

| | | | |
|-------------|---|----------|------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | 130 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | 130 |

| | | | |
|-----------|--|---------|----------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 20,190 | 32,705 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,862) | (2,951) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (1,370) | (12,926) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | 130 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 16,958 | 16,958 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 16,958 | 20,190 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 16,958 | 20,190 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|-----------|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 287 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.


| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 Loan facilities | 800 | 492 |
| 7.2 Credit standby arrangements | | |
| 7.3 Other (please specify) | | |
| 7.4 Total financing facilities | | |
| 7.5 Unused financing facilities available at quarter end | | 308 |
| 7.6 Loan facility is a secured revolving credit facility to the value of \$800,000 with Toyota Fleet Management and relates to fleet and installation vehicles. The loan is secured. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (1,862) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 16,958 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | 308 |
| 8.4 Total available funding (item 8.2 + item 8.3) | 17,266 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | 9 |
| <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i> | |
| 8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions: | |
| 8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| Answer: Not applicable | |
| 8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| Answer: Not applicable | |
| 8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? | |
| Answer: Not applicable | |
| <i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i> | |

Compliance statement

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

Date: 28/04/2022.....

Authorised by: .....
(Name of body or officer authorising release – see note 4)

Notes

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