PENTANET

2022

Annual Report

Pentanet Limited

ABN 29 617 506 279

"We've said it before and I want to reiterate for you now - Pentanet is so much more than just another telco. With our ongoing focus on impactful innovation, we are not only contributing to the development of Australia's digital future but also improving and increasing the ways we connect digitally and IRL.

- Stephen Cornish
Managing Director

Chairman and Managing Director's Address

Dear Shareholder,

Welcome to the Pentanet Annual Report for the Financial Year ended 30 June 2022. We are pleased to report that FY22 was a year in which Pentanet successfully achieved a number of its long-term strategic goals. After a strong debut year where we listed on the ASX, Pentanet has continued to deliver significant subscriber growth, launched one of Australia's leading cloud gaming services, rolled out one of the fastest commercially available wireless services in the world, and invested in the future of customer engagement through our CANOPUS partnership.

These significant events across the FY22 year have allowed us to expand the foundations required for sustainable growth across the telecommunications and cloud gaming sectors. We continue to advocate for next-generation technology at the leading edge of Australia's digital future, and the role that high-performance connectivity, gaming and esport play in that outlook.

The Company continued its year-on-year trend of strong organic growth, with internet subscriber numbers increasing by 34%, revenue by 54%, and gross profit by 55%. Our compelling wireless broadband and cloud gaming offerings have built an active audience of over 200,000 telco and gaming subscribers across Australia and New Zealand, and we expect customer numbers to continue increasing in the year ahead. We are also committed to increasing margins in the business, by increasingly offering higher speed on-net services as we increase coverage of our newly built next-generation infrastructure, neXus, and gain the scale advantages from that infrastructure. Cloud gaming, esport and Cloud.GG are highly complementary to our telecommunications business, giving us opportunities for incremental high margin subscriptions and additional brand recognition.

The accelerated deployment of neXus solves the capacity constraints we have recently experienced in our traditional Fixed Wireless network. The phase-one operational launch of neXus demonstrated the capability of the technology and our network design in its current form. As we continue to expand coverage and increase density for network resilience, the initial phases of the neXus rollout have demonstrated market demand for higher upload and download speeds at an aggressive price point. With over 11,000 users registered on the waitlist to end June, our strategic focus turns to installing end-user premises with neXus infrastructure to absorb new subscribers into the Pentanet network as efficiently and effectively as possible. We exit FY22 in a strong position and are now primed for delivering scale with our unique blend of new disruptive technology and operational resilience.

The deployment of 5G infrastructure will continue to accelerate the coverage growth for neXus, enabling an additional high-bandwidth medium for end users to have capacity on our wireless network. The intelligent and resilient mesh design of neXus truly allows us to deploy a high-speed wireless network at significant scale across Perth, with substantially reduced physical constraints from line of sight or other issues. We look forward to the future we can build with neXus.

In October 2021 following a successful Beta Play program, GeForce NOW Powered by Pentanet launched into the Australian market. Since launch, over 182,000 gamers have subscribed to the service playing over 115 million minutes of real-time streamed gameplay. In its first year, GeForce NOW has exceeded expectations of Australian subscriber numbers, with the focus now turning to new plan tiers to drive growth in recurring service revenue as a validated entertainment subscription for Aussie gamers.

Cloud gaming has already proven itself as a desirable service in Australia, and we believe we are still very much in the early adopter period of demand. A number of large-scale consumer electronics companies are now rolling out products with native support for

GeForce NOW, such as the latest LG and Samsung Smart TV range, and a dedicated cloud gaming device under development by Tencent and Logitech. These devices make it easier than ever for users to adopt cloud gaming.

During the year, Pentanet acquired a 13.4% strategic stake in CANOPUS Networks (CANOPUS) for $4m in cash and executed a Memorandum of Understanding to enter a strategic partnership. The agreement includes a commitment for CANOPUS to invest $1.5M in the co-development of Pentanet's unique gamified telecommunications and gaming loyalty platform, CloudGG, using CANOPUS' FlowPulse analytics technology. CANOPUS combines Programmable Networks (SDN) with Machine Learning to enable deep visibility into network traffic, in real-time, at terabit scale, and for low cost. The partnership aligns with Pentanet's strategy to create additional revenue-generating opportunities by further developing its CloudGG portal into a gamified network loyalty, rewards and incentive program to create Pentanet's new telco meta currency.

We welcomed Sian Whyte to the Pentanet Board of Directors, bringing strong leadership, strategy, legal and governance skills from her extensive experience in the technology gaming sector. Ms Whyte's operating experience in rapidly scaling from startup to profitable technology business has strengthened our executive skill set and brought a unique dynamic to the business.

Exciting strides continue in Pentanet.GG Esports, with another great performance in the League of Legends Circuit Oceania and the business pillar expanding into the management of gaming stars and content creators. Australia is abuzz with excitement about the fast-growing esport and digital entertainment sector, and Pentanet is leading the way in the creation of genuine career pathways for the next-generation of esport professionals and entertainers.

We'd like to finish by thanking all those that have made these significant achievements happen in the year – firstly our staff, strongly led by our management team, as well as the contributions of the Board and the support of our shareholders. Whilst the global markets for technology stocks have been challenging, FY22 was truly a massive year for Pentanet, and we believe we will look back on this period as a time where we laid the foundations for Pentanet to take on the world.

DAVID BUCKINGHAM
Non-Executive Chairman
18 August 2022

Stephen Cornish
Managing Director
18 August 2022

People and Culture

In another year presenting challenging community conditions across Australia, Pentanet doubled down on our efforts to support our team whether working from home, in the office, or out in the field. Refining our Company values played a major part in this process, and it's no coincidence that a major pillar of our Company ethos is our people - the 'PentaFam'. With an employee happiness survey exit rate of 81%, we are proud to offer a dynamic, inclusive and supportive workplace for our growing team.

We're pleased to have rolled out several new initiatives for our team over the last year, including free counselling through an Employee Assistance Program (EAP), flexible and remote working options, and access to paid parental leave. Pentanet's social club remains a strong presence keeping employees engaged with inclusive monthly and quarterly catch ups, as well as the odd game of Dungeons and Dragons held at Pentanet HQ.

We continue to balance growth and efficiency, with a strategic focus on continual improvement of operational performance through automation and streamlining processes. Our team grew in size by 26% to end June, and we welcomed a new member to our Board of Directors Ms. Sian Whyte. Sian's experience, leadership and strategic abilities are already well known in the technology sector and we're confident knowing Pentanet's future is being driven by our capable leadership team.

26% growth in team

Welcome to Ms. Sian Whyte

Non-Executive Director

81%

Employee Happiness Survey exit rate

From humble beginnings in Perth's northern suburbs, this year also saw Pentanet moved into a new headquarters in the Perth CBD. The move enabled us to be closer to the industry and the impact we seek to make, as well as providing our team with a central location with modern amenities and transport options.

Pentanet's new home in the city has strengthened our connection to Perth, and we continue to engage in community partnerships across a range of pillars. Our principal partnership with WA's champion NBL team, Perth Wildcats, and the unveiling of Pentanet Stadium as the home ground for the West Perth Football Club continue to engage the state's sporting community, and we are proud to continue supporting worthy causes across the charity and not-for-profit sectors, as well as local education facilities, community organisations and local events.

our values

Impactful Innovation

We dare to introduce new ideas and technology that can positively impact the world around us, not just the screens in front of us.

Good Connections

We bring people together both digitally and IRL for shared experiences and memorable moments. Next level service is just a given.

We Meme Business

Genuinely hyped on what we do, we take fun stuff seriously, and make serious stuff fun. Unapologetically us, we use our unique attributes and abilities to get shit done.

PentaFam First

We do whatever it takes for our team and community to know they are safe, protected, and valued as part of the Pentanet family.

Be The Supercar

The world moves fast, so we move faster with our speed, agility and expertise. High performance is in our DNA, and we bet on ourselves every time.

Operational and Financial Review

At Pentanet, our vision is to carve our own path by leading the digital edge, not only contributing to the creation of Australia's digital future but also improving and increasing the ways we connect digitally and IRL (in real life).

Pentanet exists to bring people together, inspire impactful innovation, and lead the digital edge for Australia and beyond. We dare to introduce new ideas and technology that can positively impact the world around us, not just the screens in front of us. The world moves fast, so we move faster with our speed, agility and expertise. High performance is in our DNA, and we bet on ourselves every time.

Our clear strategy remains the same. We aim to grow our active audience by attracting and retaining subscribers, while deploying cutting-edge technology to our owned and operated wireless network to deliver next-level customer experience. In doing this, we will continue to increase margins across our suite of complementary products and services.

As our society continues to use the internet to connect in more ways than ever and we keep differentiating ourselves from other Australian telcos, our outlook remains very positive across the telecommunications, gaming and esport sectors. We are gamers, we are internet users, and we are also shareholders - and we are wholly focused on delivering the best customer experience and network performance to drive positive shareholder returns.

We're not your ordinary telco, and we never will be.

Key Milestones for the Year

JUL 21

45,000+ GeForce NOW registrations of interest

SEP 21

Reached practical completion for GeForce NOW Powered by Pentanet

Launched GeForce NOW Powered by Pentanet Beta Play program into market

OCT 21

Commercial launch of GeForce NOW Powered by Pentanet into Australian market

DEC 21

50,000 GeForce NOW subscribers

neXus EOI campaign launched into market

Acquired 13.4% stake in CANOPUS, a market leader in providing deep application-aware network visibility

JAN 22

Moved into new Perth CBD headquarters

FEB 22

100,000 GeForce NOW subscribers

7,200 neXus registrations of interest

Active telecommunications subscribers surpassed 15,000

MAR 22

Appointment of Ms. Sian Whyte to Pentanet Board of Directors

Presentation at Goldman Sachs Tech Series Conference

APR 22

Pentanet Stadium unveiled in Joondalup

MAY 22

150,000 GeForce NOW subscribers

10,000 neXus registrations of interest

Fortnite Touch full access launched on GeForce NOW

PGG Connect South East Asia Esport Bootcamp in Perth

JUN 22

182,000 GeForce NOW subscribers and 100 million minutes played

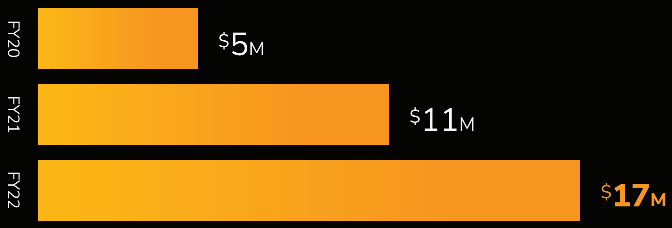
Commercial launch of Pentanet neXus plans

Active telecommunications subscribers surpassed 16,000

Financial Performance

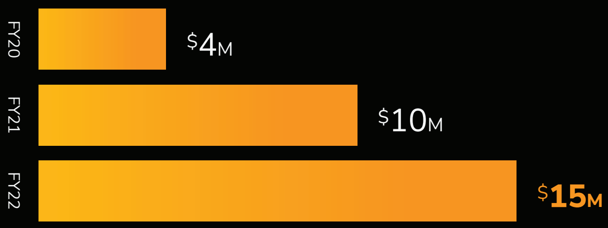
Total Sales Revenue

▲ 54% YoY



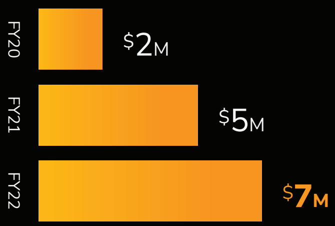
Recurring Revenue

▲ 59% YoY



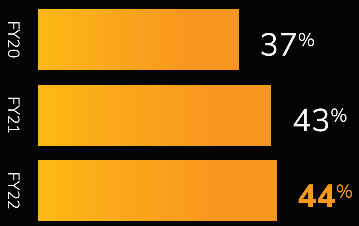
Gross Profit

▲ 55% YoY



Gross Margin

▲ 01% YoY

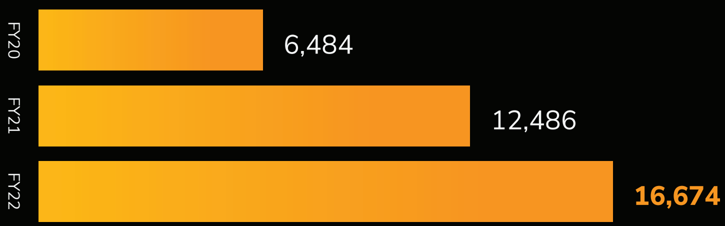


Fixed Wireless Gross Margin

▲ 04% YoY

Total Subscribers

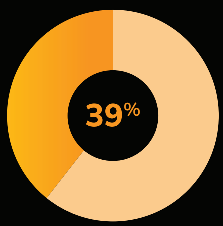
▲ 34% YoY



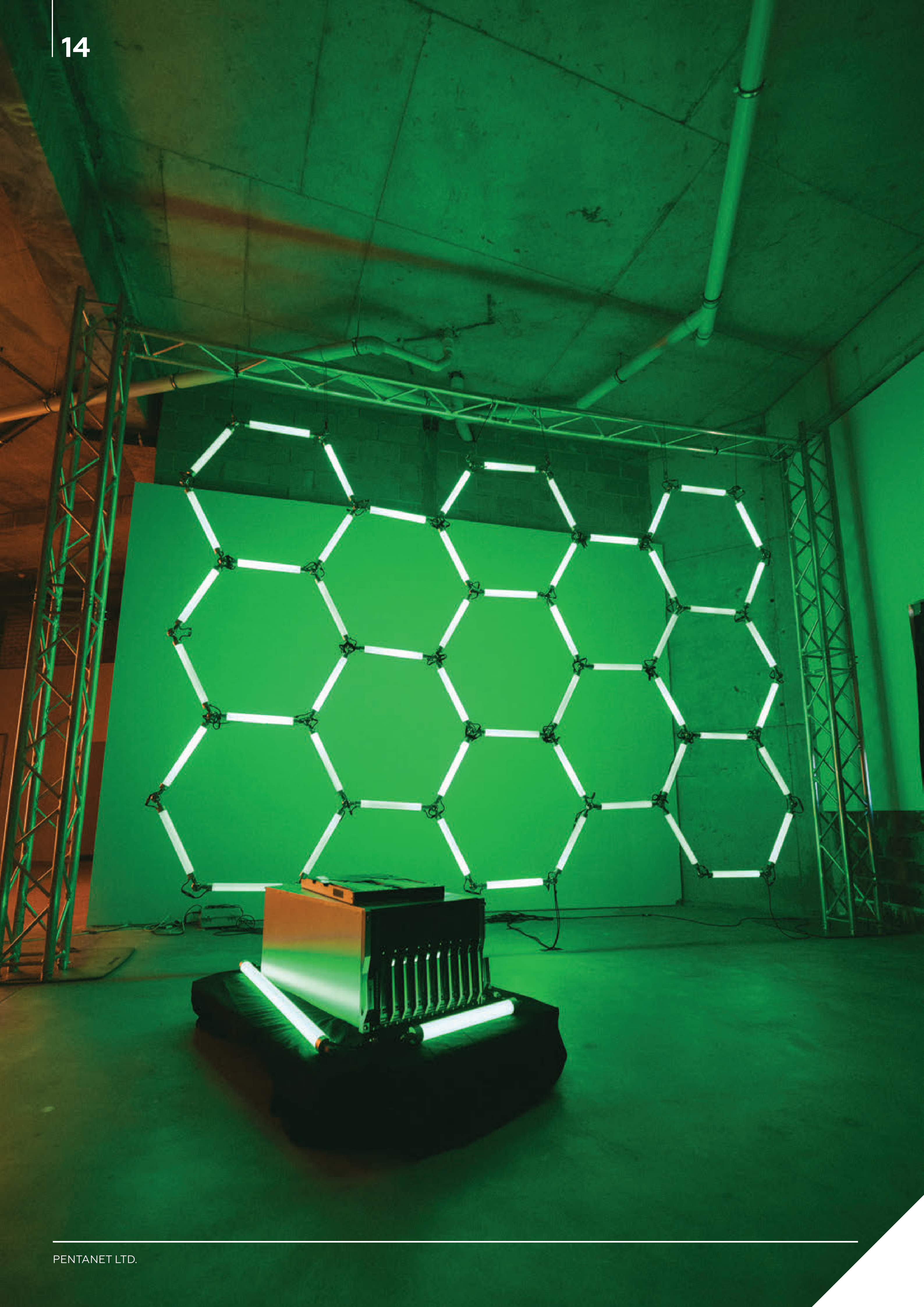
On-net Customers

0.95% Churn

$90 ARPU*



*Average Revenue Per User



Underlying results overview

	FY22	FY21	
	$'000	$'000	% change
Revenue	16,829	10,917	54%
Gross profit	7,368	4,742	55%
Gross margin[1]	44%	43%	1%
Operating expenses	(11,766)	(7,184)	(64%)
Underlying EBITDA[2]	(4,398)	(2,442)	(80%)
Depreciation and amortisation	(3,381)	(1,508)	(124%)
Underlying EBIT	(7,779)	(3,950)	(97%)
Net finance cost	(146)	(76)	(92%)
Underlying net loss before tax	(7,925)	(4,026)	(97%)

Reconciliation of reported underlying results

	FY22	FY21	
	$'000	$'000	% change
Underlying EBITDA	(4,398)	(2,442)	(80%)
Significant items			
Share-based payments	-	(4,500)	100%
IPO related cost	-	(293)	100%
Cost of option exercise on behalf of staff	-	(1,055)	100%
Reported EBITDA	(4,398)	(8,290)	47%
Depreciation and amortisation	(3,381)	(1,508)	(124%)
Net finance cost	(146)	(3,899)	96%
Reported net profit after tax	(7,925)	(13,697)	42%

FY22 was a transformational period for Pentanet. The Company remained true to its values and delivered on significant milestones achieved across the core business segments. However, it was also a challenging year, with high demand causing temporary capacity constraints on the Company's traditional fixed wireless network. The Company made great strides as it continues to invest in products and technology and develop new platforms to enhance customer experience and expand its coverage to increase its addressable market.

YoY revenue increased by 54% to $16.8 million, and recurring revenue increased by 59% to $15.2 million, making up 90% of total revenue. The YoY increase in revenue was underpinned by ongoing momentum in subscriber growth, up by 34% to 16,674. Subscriber growth was impacted by demand for on-net service which remains substantially above the Company's traditional fixed wireless network capacity.

Gross profit is up by 55% to $7.4 million. The Company has seen a further improvement in gross margin from 43% in FY21 to 44% in FY22, helped mainly by the strengthening margin of on-net fixed wireless services from 83% in FY21 to 86% in FY22.

The $7.9 million net loss was mainly impacted by increased strategic investment in marketing and operational capacity expansion that will drive future earnings growth, network capacity expansion and acceleration of coverage expansion efforts.

The FY21 loss of $13.7m included significant items incurred as part of listing on the ASX, including $4.5m share-based payments, $3.8m finance cost relating to the exercise of convertible note options, $1.1m of costs for options exercise on behalf of staff pre-IPO and IPO related costs of $0.3m.

[1] Gross margin is revenue less network operating cost and hardware expenses, representing the margin generated from customers before the costs of marketing, sales, support and administration cost.

[2] EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude, share based expenses, cost of options exercised on behalf of staff and IPO related costs. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

Operational Performance

Subscribers, revenue and gross profit review

	FY22	FY21	
	$'000	$'000	% change
Revenue from contracts with customers	16,829	10,917	54%
Rendering a Service - Telecommunication Service	547	637	(14%)
Rendering a Service - Recurring network revenue	14,762	9,509	55%
Gaming and technology revenue	722	-	-
Sale of goods	798	772	3%
Network, carrier and hardware expenses	(9,461)	(6,175)	(53%)
Gross Profit	7,368	4,742	55%
Gross Margin	44%	43%	1%

Internet services

Pentanet has a clear strategy to grow the business by attracting and retaining subscribers, applying cutting-edge technology to expand our network and performance, and increasing margins as more customers use our owned network infrastructure. In line with Pentanet's strategy, the Company maintained its ongoing organic subscriber growth momentum by adding 4,188 new subscribers to the network in FY22, up by 34% YoY.

Average monthly churn has increased marginally from 0.82% to 0.95%. The main category for churn is relocations, with most churn relating to low margin off-net nbn™ subscribers, indicative of the strength of the company-owned and operated fixed wireless infrastructure and growing

brand in Western Australia. Pentanet maintains strong customer satisfaction results across internal and external feedback metrics.

6,535 on-net fixed wireless customers accounted for 39% of subscribers in FY22, down from 43% in FY21. The decline was mainly impacted by lower growth of on-net subscribers in the third and the fourth quarter of FY22, as demand for on-net services remained substantially above the Company's traditional fixed wireless network capacity.

The Average Recurring Revenue Per User (ARPU) on recurring revenue increased from $80 in FY21 to $82 in FY22, driven by a marginal increase in demand for higher speed tier plans. ARPU for off-net nbn™ services improved by 2%, from $71 to $73.

Fixed wireless services ARPU remained consistent at $87 for FY21 and FY22. The Fixed Wireless service offering provided solid margin growth. Margins increased from 83% in FY21 to 86% in FY22, further highlighting the benefits of the on-net service offering and the potential for future margin expansion as the Company's coverage increases. The Fixed Wireless service also delivers a premium experience for end users, as is evidenced by the 0.76% monthly average churn rate.

The growth rate for on-net services, Fixed Wireless and neXus, is still heavily dependent on coverage. With the commercial launch of neXus, coverage and capacity constraints on the Company's traditional network are expected to ease as the team navigates continued upgrades by creating more coverage. Deploying new telecommunications tower sites and utilising 5G spectrum, the Company is primed to use millimetre wave technologies to accelerate neXus deployment as well as enable an additional high-bandwidth service for end users. This will allow the Company to leverage more value from the existing infrastructure whilst preserving network quality by alleviating high-demand capacity constraints and ultimately improving the quality of service and experience.

Interest in on-net services continues to rise. As a result, the Company's forward-looking focus is to expand the wireless coverage footprint to support our long-term capacity expansion plans to meet demand and attract more off-net subscribers to higher speed and higher margin on-net services.

11,000

neXus registrations

Marketing

	FY22	FY21	
	$'000	$'000	% change
Revenue	16,829	10,917	54%
Advertising and promotion	2,395	1,112	115%
Advertising as a % of Revenue	14%	10%	

Since Pentanet's inception in 2017, the Company's growth has been a testament to the quality of network performance backed by expert local customer service and support. In FY22, the Pentanet brand continues to build in-market, positioned as a leader in the telecommunications, gaming and esport sectors, advocating for advancements in Australia's digital future while delivering next-level customer experience in the present.

In FY22, increased marketing investment was incurred by the Company's brand and product expansion efforts with a national launch of GeForce NOW Powered by Pentanet cloud gaming, and the introduction of neXus, the Company's next-generation intelligent mesh wireless network for Perth. As a percentage of revenue, marketing cost increased from 10% in FY21 to 14% in FY22, and Customer Acquisition Cost (CAC) increased from $174 in FY21 to $227, following the investment in these new services.

The Company's creative and visually striking 'Operation neXus' campaign launch in December 2021 generated more than 11,000 registrations from the community, keen to form part of the initial rollout out neXus. Of the 11,000 registration of interest generated, 59% related to residential and commercial consumers without existing Pentanet services.

Since the commercial launch of GeForce NOW Powered by Pentanet in October 2021, the cloud gaming platform ecosystem has continued to grow across Australia, with the user base growth reaching over 182,000 subscribers by end June, up by 404% YoY, with over 115 million minutes played on the platform since launch.

"Being recognised as the Connectivity Hero of the Year for our work on neXus is a tremendous honour and a testament to the team's fierce dedication to bring people together, inspire impactful innovation, and lead the digital edge for Australia and beyond.

- Stephen Cornish

Awards

JUL 21

WAITTA INCITE Awards, People's Choice Award | Winner

INCITE Awards is the State's longest running ICT Awards program – presented to WA tech organisations, entrepreneurs, students and industry leaders with winning titles for their medical, AI, robotics and mining technology innovations, at a Gala Cocktail event, attended by over 450 people.

JUL 21

Q2 2021 Connectivity Hero | Stephen Cornish

The Cambium Networks Connectivity Hero awards recognise individuals from across the world who have changed lives and improved communities through their efforts to extend wireless connectivity and connect the unconnected.

NOV 21

2021 AFR Fast Starters | #19

Pentanet has been recognised in the Top 20 fastest growing companies in Australia, in the Fast lists released today by The Australian Financial Review. The Fast Starters list recognises the 100 fastest growing young companies which started trading on or after July 1, 2016. Pentanet placed #19 amongst a list of many exciting companies from around Australia.

FEB 22

2021 WISP of the Year

For the fourth year in a row, Pentanet has been celebrated as Western Australia's WISP of the Year. This prestigious award from LEADER and Ubiquiti Inc. recognises 2021's leading Wireless Internet Service Provider in our great state, and we are proud to display the stylish award in our new headquarters

MAR 22

2021 Connectivity Hero of the Year | Stephen Cornish

The Cambium Networks Connectivity Hero awards recognise individuals from across the world who have changed lives and improved communities through their efforts to extend wireless connectivity and connect the unconnected.

APR 22

2021 Deloitte Tech Fast 50 | #30

Deloitte's Technology Fast 50 Australia program recognises and profiles fast growing technology companies. The 2021 list featured numerous innovative disruptors, with Pentanet being one of just four Western Australian companies on the list.

Network and cloud gaming

	FY22	FY21	
	$'000	$'000	% change
Plant and equipment	16,171	9,229	75%
Intangible assets	8,568	9,041[3]	(5%)
Investments	4,000	-	-

[3] The Group purchased a 15-year Spectrum license in the April 2021 auction conducted by the ACMA for $7,986,200 (Cost). The Group elected to pay the license fee over five equal instalments per the ACMA's allocation determination and paid the first instalment on 25 June 2021. The remainder of the four instalments is payable over four years.

Key investments in FY22 will allow the Company to expand and diversify the service offering and expand revenue streams in the short and long term. The launch of neXus in Western Australia and across the country with GeForce NOW Powered by Pentanet marks the beginning of the Company's impact across Australia.

The three key investment areas for Pentanet in FY22 were:

1. **telecommunications infrastructure to secure hardware in anticipation of the scaled neXus network rollout**
2. **cloud gaming servers for GeForce NOW Powered by Pentanet**
3. **the Company's strategic partnership investment in CANOPUS Networks**

neXus

In June 2022, Pentanet officially launched neXus, the Company's next-generation wireless mesh network for Perth. Exclusive to Pentanet, neXus delivers an ultra high-speed wireless internet connection through the air using innovative mesh technology.

Pentanet's neXus employs intelligent Terragraph technology, created by global leaders at Meta (Facebook) Connectivity to provide subscribers with multiple points of connection that can bounce around obstacles, removing traditional fixed wireless line of sight barriers. The network creates a resilient mesh of connected premises that continuously identifies and selects the optimal route for high-performance connectivity. Instead of relying on a single point to a multipoint link between a macro Pentanet tower and a subscriber's home, neXus connects subscribers via nearby access points or 'Meshy Bois'.

The Operation neXus campaign launch in December 2021 has generated over 11,000 registrations of interest from people in the community keen to become part of the network, setting the strong foundation for the Company's coverage expansion efforts. The expression of interest phase was used to determine areas of demand and laid the foundation for scaling coverage density across the Perth metro area.

Pentanet has launched the premium Hell Fast plan offering for neXus, with unlocked speeds and unlimited data for $129 per month on a 12-month contract with a $0 installation fee and a Wi-Fi 6 Prism Edge router. To celebrate the official launch of neXus, the $129 Hell Fast plan is available for just $99 per month, and customers can lock in this price for the lifetime of their neXus service for a limited time.

Pentanet has ramped up operational capacity to address the growing demand for neXus. Pentanet's field team has deployed 580 'Meshy Boi' distribution points, creating additional coverage for 11,600 neXus potential subscribers to increase the network's coverage. Demand for neXus remains high, and is also building a growing waitlist for suburbs not yet in coverage as field teams undertake the targeted infrastructure rollout activating the first wave of revenue-generating connections to Perth homes in Q4 FY22.

The Company's focus remains on successfully deploying neXus across Perth and increasing the Company's infrastructure and capacity to a new level of scale for Pentanet.

Cloud Gaming

Cloud gaming has taken off in Australia, and Pentanet is one of the clear market leaders in this exciting new market opportunity. Gaming and the advancement of Australia's esports industry have been a core part of Pentanet's DNA for as long as the Company existed. The Company's network is optimised to give gamers the best possible connections to gaming servers. This dedication and commitment to gamers were instrumental to the success in negotiating with the tech giant NVIDIA to partner with Pentanet to bring GeForce NOW cloud gaming platform to Australia as its exclusive distributor for the region.

In October 2021, Pentanet successfully launched GeForce NOW, NVIDIA's premiere cloud-based game streaming service, to an eager market of gamers across Australia and New Zealand.

The GeForce NOW cloud gaming platform allows players to play supported titles in the cloud, streaming gameplay directly from our cutting-edge RTX Blade Servers to a user's device. GeForce NOW removes the need for expensive hardware and currently enables gaming in 1080p resolution at 60 frames-per-second on Android, iOS, PC, Mac, and several smart TV's, including NVIDIA SHIELD TV, potentially removing the barrier of the high cost associated with owning a gaming rig, be it PC or console.

GeForce NOW continues to make it easier to game with native apps, now part of a new range of Smart TVs from LG and Samsung. In addition, channels for the platform keep expanding with Samsung Gaming Hub rolling out to all of the brand's Smart TVs in Q4 FY22, delivering GeForce NOW Powered By Pentanet natively on 2022 Samsung Smart TVs.

Additionally, more titles are being added to the GeForce NOW library monthly, with the platform already boasting over 1,300 titles.

The Company's Basic subscription tier gives curious gamers the opportunity to test the platform on their network and hardware free of charge. As at 30 June, the Basic subscription was instrumental in generating over 180,000 registered members, with an average monthly growth of 30%, and has been successfully used to capture this brand new market. Additionally, the audience captured in just over eight months since the commercial launch, provides the Company with a large strong membership base to launch the upcoming refresh of the platform's membership plans. By looking to introduce new mid-tier plans priced between the existing Basic and Priority plans, the Company is expected to drive scale and growth in recurring service revenue and earnings on the platform.

With strong continued growth since commercial launch, variable platform utilisation costs remained relatively constant, leading to no significant change in underlying operating costs of the service as the platform continues to accrue Basic and Priority users. As such, the Company is confident that the introduction of mid-tier plans can deliver a step-change in the platform’s earnings profile.

The Company remains committed to delivering a superior gaming experience for its users and will continue to leverage its high-performance network and partner relationship with NVIDIA to invest in building a significant and sustainable market share.

Cloud.GG

The Company's vision for Cloud.GG is to create a unique gamified network loyalty, rewards and incentive program. Once built, integrations of the platform have the potential to generate dynamic new revenue streams for any network with Cloud.GG enabled by allowing their subscribers to earn digital currency for every action they take online.

In December 2021, the Company announced that it had acquired a 13.4% stake in CANOPUS Networks (CANOPUS) for $4m in cash and has executed a Memorandum of Understanding to enter a strategic partnership. CANOPUS is a future market leader in providing deep, application-aware network visibility using Artificial Intelligence and Machine Learning.

The agreement included a commitment for CANOPUS to invest $1.5m in the co-development of Cloud.GG, with Pentanet using CANOPUS' FlowPulse analytics technology to create a rewards and loyalty platform enabled by deep visibility into real-time network traffic.

The CANOPUS server and passive taps have since been deployed in Sydney. The FlowPulse machine learning model is currently being trained with GeForce NOW game stream data to be used in the later development of the Cloud.GG platform.

Esport

Exciting strides continue in Pentanet.GG Esports, with another great performance in the League of Legends Circuit Oceania division. Pentanet.GG finished third in the League of Legends Circuit Oceania (LCO) Split 1 2022, securing a place in the playoffs and finishing third for the season.

Pentanet.GG highlighted the opportunity esport presents for the state of Western Australia by hosting PGG Connect, a first-of-its-kind esports boot camp based at Pentanet HQ in Perth. Throughout the boot camp, Pentanet.GG's professional League of Legends team played daily scrim matches against world-class professional teams from South East Asia. The bootcamp put Pentanet's Perth-based network to the test and successfully demonstrated its strategic advantage as an esport hub due to the equal distance between Perth to Asia and Australia's east coast.

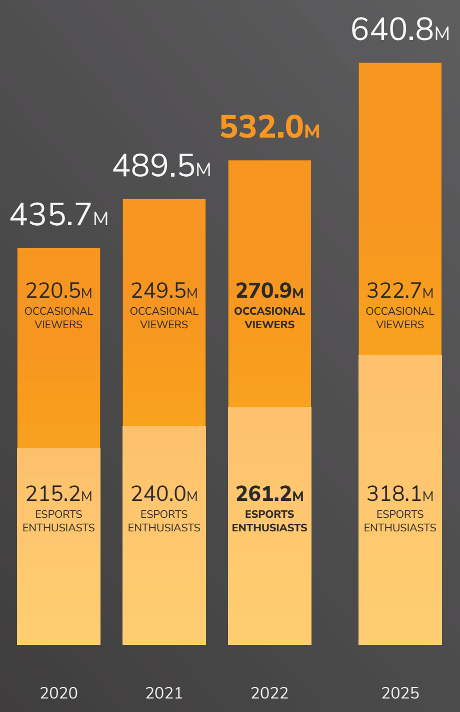
While the players were in Perth, PGG also hosted a community workshop for two hand-selected League of Legends teams from Western Australia. The event, 'Level Up with PGG', offered exclusive one-on-one access to train with the players and coach from WA's own professional esports team, allowing them to hone their skills before battling it out on The Rift for a cash prize.

Major esport events viewership continues to rise steadily and Pentanet.GG is positioning itself to take full advantage of this trend with a strong presence in the Oceanic space and the vision and capabilities to further expand esports in Western Australia. According to the NewZoo Global Esports & Live Streaming Market Report, the total global esports audience will grow by 8.7% YoY to reach 532 million in 2022 and generate nearly $1.38 billion in revenues globally by the end of 2022.

Esport offers Western Australia the opportunity to diversify our state's economy with the development of a new industry, creating new opportunities for employment, study, tourism and beyond.

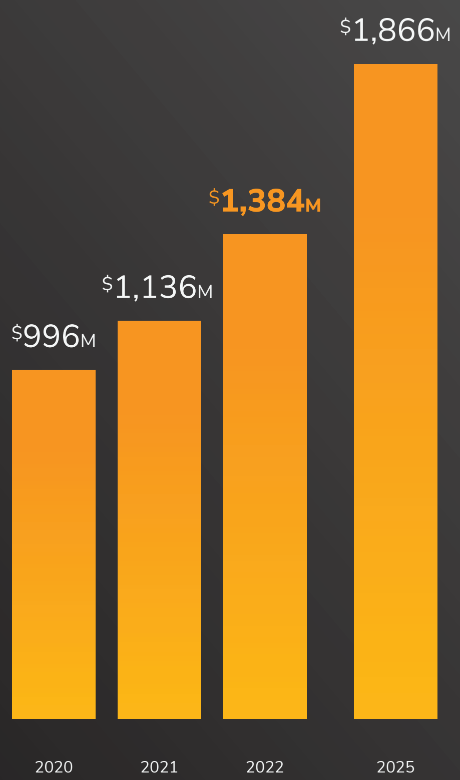
**Esports
Audience Growth**

Global | 2020 - 2025



**Esports
Revenue Growth
(USD)**

Global | 2020 - 2025



Source: NewZoo Global Esports & Live Streaming Market Report 2022

Ongoing strategy

The three pillars of Pentanet's strategy remain unchanged.

Grow the subscriber base

The introduction of new technology will increase on-net coverage to expand and grow the Company's on-net subscriber base and deliver superior network performance to maintain a low churn rate and provide a competitive service offering, turning subscribers into brand advocates.

Expand network increasing potential market

The expansion of the existing Pentanet network with neXus, increasing available coverage through the large scale mmWave wireless deployment to increase potential market size and penetration.

Increase margins

The Company will continue directing resources to attract more off-net customers to higher-margin on-net services and diversify and bundle complementary product offerings, including GeForce NOW cloud gaming subscription services.

Fun Fact

The Pentanet branded Lamborghini Aventador, AKA **The Pentador**, has been generously leased to the Company from a passionate investor. Joining us at almost every Pentanet event, The Pentador has been one of our most engaging marketing activations to date.

Corporate Directory

Directors

David Buckingham
Non-Executive Chairman

Stephen Cornish
Managing Director

Timothy Cornish
Executive Director

Dalton Gooding
Non-Executive Director

Sian Whyte
Non-Executive Director

Company secretary
Patrick Holywell

Registered office
Unit 2 / 8 Corbusier Place,
Balcatta, 6021, WA
Telephone number: (08) 9466 2670

Principal place of business
Level 4, 45 St Georges Terrace,
Perth, 6000, WA

Principal banker
Bankwest
220 St Georges Terrace,
Perth, 6000, WA

Share register
Automic Group
Level 5, 191 St Georges Terrace,
Perth, 6000, WA
Telephone number: 1300 288 664

Auditor
BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2, 5 Spring St,
Perth, 6000, WA

Stock exchange listing
Pentanet Ltd shares are listed on the
Australian Securities Exchange
(ASX code: 5GG)

Director's Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Group') consisting of Pentanet Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

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

David Buckingham (Non-Executive Chairman)

Stephen Cornish

Timothy Cornish

Dalton Gooding

Craig Amos (resigned 23 November 2021)

Sian Whyte (appointed 8 March 2022)

Company secretary

Patrick Holywell

Principal activities

The principal activities of the Group consisted of the provision of internet and associated telecommunications products and services, and gaming and gaming technology services.

Dividends

There were no dividends paid, recommended, or declared during the current or previous financial year.

Perth's largest private fixed wireless network

#28

Deloitte Technology Fast 500™ Asia Pacific 2021

Operating and financial review

Our business model and objective

Pentanet (ASX: 5GG) is a Perth-based telecommunications cloud gaming provider delivering next-generation internet services and online experiences to a growing number of subscribers. The Company's market-leading private fixed wireless network is the largest in Perth and remains unrivalled in terms of connection quality, reliability and network design. With the network nearing capacity due to its popularity in Perth, the Company's focus is now the development and deployment of neXus — Pentanet's next generation, gigabit-enabled wireless mesh network.

In 2021, Pentanet partnered with global tech giant NVIDIA (NASDAQ: NVDA) to democratise Australian access to cloud gaming and became the sole provider of NVIDIA's premier cloud gaming platform in Australia, co-branded GeForce NOW Powered by Pentanet. GeForce NOW as a product offering aligns with Pentanet's evocative brand and gamer-focused identity, but the platform offers an added benefit in complementing the Company's expanding internet services and its vision for a better connected Australia.

Pentanet ranked #28 in the Deloitte Technology Fast 500™ Asia Pacific list of the region's 500 fastest growing technology companies in 2021, the third-highest rank achieved by an Australian company. The Company also ranked #19 in the 2021 AFR Fast Starters list of fastest-growing start-ups in Australia and #30 on the Deloitte Technology Fast 50 Australia 2022.

#19

Australian Financial Review Fast Starters 2021

#30

Deloitte Technology Fast 50 Australia 2022

Review of operations

The loss for the consolidated entity for the year after providing for income tax amounted to $7.9 million (30 June 2021: Loss $13.7 million).

The Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was ($4.4) million compared to ($2.4) million. The ($2.4) million earnings before interest, tax, depreciation, and amortisation (EBITDA) for 30 June 2021 is after adjustments for $4.5m share-based expenses and $1.1m of cost for options exercised on behalf of staff prior to the IPO and IPO related costs of $0.3m.

The financial year was marked with significant investments made in neXus infrastructure to secure the hardware in anticipation of the scaled neXus network rollout, cloud gaming servers for GeForce NOW Powered by Pentanet and the Investment in CANOPUS Networks.

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 telecommunication meta currency.

The Company is in a solid financial position with $13.4 million in cash reserves on its balance sheet to continue building out coverage to increase capacity and support network upgrades in light of the neXus network rollout to increase capacity and accelerate future revenue growth.

Detailed commentary on the results for the year is contained in the Operating and Financial Review section.

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the Group’s objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has several mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- existence of a committee as part of the Audit and Risk Committee, as well as monthly board meeting reviews of risk. This ensures that an appropriate risk-management framework is in place and is operating properly along with regular reviews and monitoring of legal and policy compliance systems and issues; and
- implementation of Board approved budget and Board monitoring of progress against budget, including the establishment and monitoring of financial KPI's.

For more information on risk management please refer to: **www.pentanet.com.au/investor-centre/** containing our latest Risk Management Policy under Corporate Governance.

Significant changes in the state of affairs

On 20 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 12).

In March 2022, Ms Sian Whyte was appointed as non-executive director.

In June 2022, Pentanet launched neXus, the Company's next-generation intelligent mesh wireless network for Perth.

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

Matters subsequent to the end of the financial year

The Company entered into a Master Access Agreement with Axicom Pty Ltd on 14 July 2022, in support of the planned network expansion. Under the terms of the new Master Access Agreement, the license terms of all existing site licenses have been extended for a period of 10 years from the Master Access Agreement Commencement Date 1 July 2022 with an option to extend for a further five years. Site licenses have been recognised by Pentanet as leases under AASB 16. The right-of-use assets and corresponding liabilities reflect the enforceable period under the existing agreement. The signing of the Master Access Agreement will give rise to an additional $4.7m of lease liabilities and right-of-use assets.

No other matters or circumstances have arisen since 30 June 2022 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 years.

Likely developments and expected results of operations

In line with the Group's stated strategy, Pentanet will focus on delivering sustained recurring service revenue growth for the two business segments, telecommunications and cloud gaming, by scaling both neXus and GeForce NOW respectively.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

The Company identifies and manages material exposure to environmental risks in a manner consistent with its Risk Management Policy, which is available on the 'Corporate Governance' page of the Company's website, **www.pentanet.com.au/investor-centre/**.

Share options

As at the date of this report, the Group has options over ordinary shares. These issues have been issued on the following terms.

Number of unlisted options	Exercise price	Expiry date
9,857,000	$0.30	30 June 2024
9,870,000	$0.37	30 June 2024
9,870,000	$0.50	30 June 2024
Total 29,597,000		

Information on directors

David Buckingham

Chairman

David Buckingham has over 30 years of experience as a corporate leader in telecommunications, media, technology, IT and education. Mr Buckingham began his career at Price Waterhouse Coopers in the UK and Australia. Most recently, Mr Buckingham served as both Chief Executive Officer and Chief Financial Officer of Navitas Limited (ASX:NVT), a global education provider with over 120 colleges and campuses across 31 countries.

Prior to Navitas, David worked for Telewest Global as the Group Treasurer and Director of Financial Planning, for Virginmedia, as Finance Director, Business Division and for iiNet (ASX:IIN), where he held the roles of Chief Financial Officer and Chief Executive Officer between 2008 and 2015. He was the Chief Executive Officer of iiNet when the company was acquired by TPG Limited in September 2015. Mr Buckingham holds a Bachelor of Technology (Hons) from the Loughborough University of Technology and is a qualified ACA Chartered Accountant in England & Wales and a member of the Australian Institute of Company Directors.

Other current directorships:
Nuheara Ltd
appointed: 01/11/2019
Hiremii Ltd
appointed 03/05/2021
Way2VAT LTD
appointed 15/09/2021

Former directorships (last 3 years):
Navitas Limited
appointed 01/07/2018, resigned 05/07/2019
Openlearning Ltd
appointed 09/11/2019, resigned 23/05/2022

Ordinary shares:
223,500

Options over ordinary shares:
3,000,000

Committee membership:
Chairman of the board and Remuneration and Nomination Committee and member of the Audit and Risk Committee

Stephen Cornish

Managing director and founder

Stephen Cornish is the founder and managing director of Pentanet (ASX:5GG) and Pentanet.GG Esports. Stephen founded Pentanet in 2017 to bring Perth's internet quality up to speed with ultra-fast wireless solutions backed by local customer service and support.

After building the largest fixed wireless network in Perth and delivering on his initial vision for Pentanet, Stephen set his sights on diversifying the Company's footprint through the development of innovative complimentary services including neXus, Pentanet's next-generation wireless mesh network; GeForce NOW Powered by Pentanet, though an exclusive Alliance Partnership with global tech giant NVIDIA; and CloudGG, a custom-built loyalty and rewards platform designed to leverage Flow Pulse Analytics technology and reward users with digital currencies for actions they take online

After steering Pentanet through its IPO and January 2021 listing on the ASX, Stephen continues to lead the Company from strength to strength. He was recognised as one of Western Australia's leading entrepreneurs in the Business News 40under40 2019, a double finalist in the 2021 CEO Magazine Executive of the Year Awards, and the Cambium Networks Connectivity Hero of the Year 2021.

Other current directorships:
None

Former directorships (last 3 years):
None

Ordinary shares:
50,458,137

Options over ordinary shares:
9,900,000

Committee membership:
None

Timothy Cornish

Executive director and co-founder

Timothy Cornish is a founding director of Pentanet and has various interests in resources, mining technology and international trade. He is an experienced and successful business leader with extensive involvement in private enterprise for over 20 years. Having spent a significant amount of time in China and throughout Asia, Mr Cornish has built an extensive network of contacts, opportunities, and experience. Mr Cornish's early career in accounting and finance involved roles with Grant Thornton as well as an international strategic sourcing specialist. He has built sales and distribution channels into Asia-Pacific and South American engineering and mining service industries as well as accompanying global supply chains including Europe, USA and Asia. Mr Cornish has completed a Bachelor of Commerce at UWA and a Graduate Diploma of Chartered Accounting with the Institute of Chartered Accountants Australia & New Zealand. In 2021 Mr Cornish was recognised as one of WA's forty leading business entrepreneurs in the Business News 40under40 Awards, as well as being awarded Start-Up Category winner.

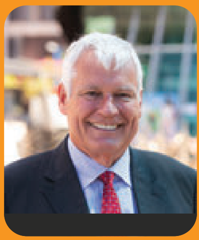
Other current directorships:
None

Former directorships (last 3 years):
None

Ordinary shares:
13,471,135

Options over ordinary shares:
6,600,000

Committee membership:
Member of the Audit and Risk Committee on an interim basis



Dalton Gooding

Non-executive director

Dalton Gooding has over 40 years of experience and is currently the senior partner of DFK Gooding Partners, where he advises on a wide range of businesses with particular emphasis relating to accounting issues, taxation, due diligence, feasibilities and general business advice. He was a long-standing Partner at Ernst & Young and is a Fellow of the Institute of Chartered Accountants Australia & New Zealand. Mr Gooding also holds director positions on a number of public and private company boards in various sectors.

Other current directorships:
Katana Capital Ltd
appointed: 10/11/2005

Former directorships (last 3 years):
None

Ordinary shares:
3,575,641

Options over ordinary shares:
2,400,000

Committee membership:
Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee

Craig Amos

Non-executive director
(resigned 23 November 2021)

Craig Amos is a Chartered Accountant with over 20 years of experience in finance, strategy, M&A, and commercial projects in corporate and professional services environments. He is currently a partner at RSM's Perth office, specialising in corporate M&A and capital markets advisory services. He has a diverse background, having worked as a CFO in both public and private companies, Strategy & Corporate Development roles and at the Director level in Tier 1 Corporate Advisory. Mr Amos is the former CFO of Velrada and was previously CFO of ASX listed Decmil Group Limited, including in 2014 when it was part of the ASX200. Mr Amos is also an Advisory Board member at Curtin University School of Accounting. Before his corporate career, he held the position of Executive Director in the Corporate Finance Division of Ernst & Young, where he gained extensive experience leading teams on a range of strategic transactions. Mr Amos holds a Bachelor of Commerce (with Honours) and a Graduate Diploma in Applied Finance. He is also a fellow of the Financial Service Institute of Australasia.

Other current directorships:
None

Former directorships
(last 3 years):
None

Ordinary shares:
1,051,283

Options over
ordinary shares:
1,800,000

Committee membership:
Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee

Patrick Holywell

Company secretary

Patrick Holywell has over 15 years of experience in accounting, finance and corporate governance, including employment at Deloitte and Patersons.

He is a Chartered Accountant and a Fellow of the Governance Institute of Australia with the last 10 years focused on Director/CFO/Company Secretarial roles, particularly in the resources and technology space. Mr Holywell worked at Deloitte in the assurance and advisory division and was a founding member and investment analyst for Patersons Asset Management.

Mr Holywell has completed a Bachelor of Commerce at UWA, a Graduate Diploma of Chartered Accounting with the Institute of Chartered Accountants and the Company Directors Course with the Australian Institute of Company Directors.

Other current directorships:
Si6 Metals Ltd
appointed 25/112019
Redcastle Resources Ltd
appointed 20/11/2019
Norfolk Metals Ltd
appointed 08/10/2021

Former directorships
(last 3 years):
None

Ordinary shares:
637,181

Options over
ordinary shares:
600,000

Committee membership:
Company secretary of the Audit and Risk Committee and Remuneration and Nomination Committee

Sian Whyte

Non-executive director
(appointed 8 March 2022)

Sian Whyte brings extensive experience across the legal, start-up and technology sectors to her role as a non-executive director. Admitted to the Supreme Court of Western Australia as a lawyer in 2012, she specialised in commercial, corporate and taxation law before moving to online social gaming at VGW in 2017.

Sian grew up in a family of entrepreneurs and joining a technology start-up was a natural next step in her career. She joined VGW as their first in-house lawyer and is one of their foundational employees. She played a pivotal role in devising and implementing the Company's international structure and establishing its global presence.

From founding member of a now well established legal department, Sian expanded into diverse functions leading teams in compliance, people and culture, and as a member of the senior executive as Chief of Staff.

Sian has been a pivotal part of VGW's journey from start-up to one of Australia's most significant technology success stories. She is passionate about supporting women's progress in technology as well as growing a major tech presence in Perth, Western Australia.

Other current directorships:
None

Former directorships
(last 3 years):
None

Ordinary shares:
Nil

Options over
ordinary shares:
Nil

Committee membership:
Member of the Audit and Risk Committee and member of the Remuneration and Nomination Committee

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities unless otherwise stated.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director was:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
David Buckingham	12	12	3	3	2	2
Stephen Cornish	12	12	-	-	-	-
Timothy Cornish	12	12	-	-	1	1
Dalton Gooding	12	12	3	3	2	2
Craig Amos (resigned 23 November 2021)	5	5	-	-	1	1
Sian Whyte (appointed 8 March 2022)	4	4	1	1	-	

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity through acting in fairness and without prejudice. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

For the financial year ended 30 June 2022, the Company had not yet formalised a policy which outlines measurable objectives for achieving gender diversity. Due to the current size and composition of the organisation, the Board does not consider it appropriate to provide measurable objectives in relation to gender diversity. The Company is committed to ensuring that the appropriate mix of skills, expertise, and diversity are considered when employing staff at all levels of the organisation and when making new senior executive and Board appointments and is satisfied that the composition of employees, senior executives and members of the Board is appropriate.

For the financial year ended 30 June 2022, the Company had 92 staff (which includes directors and executive management) and that number includes 17 females. The Company had seven Key Management Personnel of which two are female.


PC
MING
EVENT
TEAM

Remuneration Report (Audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act.

This Remuneration Report sets out remuneration information for Pentanet's Key Management Personnel (KMP) (as defined in AASB 124 Related Party Disclosures), including Non-Executive Directors, Executive Directors and other senior executives who have authority for planning, directing and controlling the activities of the Company.

For the year ended 30 June 2022, the following people were assessed to be KMP:

Name	Role	Appointed
David Buckingham	Non-Executive Chairman of the board and Remuneration and Nomination Committee	10 September 2020
Dalton Gooding	Non-Executive Director of the board and Chairman of the Audit and Risk Committee	26 November 2018
Craig Amos	Non-Executive Director of the board and Chairman of the Audit and Risk Committee	appointed: 26 November 2018 resigned: 23 November 2021
Sian Whyte	Non-Executive Director	8 March 2022
Stephen Cornish	Managing Director	20 February 2017
Timothy Cornish	Executive Director	20 February 2017
Patrick Holywell	Company Secretary	20 November 2019
Mart-Marie Derman	Chief Financial Officer	11 September 2020

The Remuneration report is designed to provide shareholders with comprehensive information on the structure of Pentanet's remuneration framework and the basis on which it aligns with shareholders and other key stakeholders' interests while ensuring rewards are aligned with strategic objectives and value creation for Pentanet.

The remuneration report is set out under the following main headings:

1. **Remuneration governance**
   - **1.1** Remuneration committee
   - **1.2** Use of remuneration consultants

2. **Executive remuneration approach and structure**
   - **2.1** Remuneration philosophy
   - **2.2** Executive remuneration structure
   - **2.3** Remuneration practices
   - **2.4** Short term incentive plan
   - **2.5** Long term incentive plan

3. **Link between Company performance and executive remuneration**

4. **Employment contracts of directors and senior executives**

5. **Non-Executive Director fee arrangements**

6. **Details of remuneration**

1. Remuneration governance

1.1 Remuneration and Nomination Committee

The key purpose of the Remuneration and Nomination Committee is to ensure that the level and composition of remuneration is appropriately balanced between the need to attract and retain high-quality directors and attract, retain and motivate senior executives and the need to ensure that the incentives for executive directors and senior executives encourage them to pursue growth and success of the entity without rewarding conduct that is contrary to the Company's values or risk appetite.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and the executives on a periodic basis. The assessment is made with reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

1.2 Use of remuneration consultants

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant does not communicate with affected key management personnel without a member of the Remuneration and Nomination Committee being present and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed, and as such, there was no undue influence.

For the purposes of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2001 (the Act), any guidance provided by remuneration consultants throughout the financial year was not considered a remuneration recommendation in relation to KMP as defined by Division 1 of Part 1.2 of Chapter 1 of the Act.

2. Executive remuneration approach and structure

2.1 Remuneration philosophy

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of the reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' above), the Remuneration and Nomination Committee is in the process of structuring an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity. Historically, remuneration has not been linked to performance.

The reward framework is designed to align executive rewards to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering a constant or increasing return on assets, as well as focusing the executive on key non-financial drivers of value;
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth;
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

2.2 Executive remuneration structure

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including experience, qualifications, job level and overall performance of the Company. The service agreements between the Company and specified directors and executives are on a continuing basis which is not expected to change in the immediate future.

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example, motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The following table illustrates the executive remuneration elements, including how each element aligns to the Company's remuneration strategy and links remuneration outcomes to performance.

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Comprise base salary, superannuation contributions and other benefits.	To provide competitive fixed remuneration for senior executives as determined by the scope of their position and the knowledge, skill and experience required to perform the role.	Company and individual performance are considered during the annual remuneration review.
STI	The STI component of the KMP remuneration is paid in cash.	Reward executives for short term achievement of: • Financial and operational key performance indicators. • Progress with the delivery of the Company's business plan and strategic objectives, and • Specific goals in relation to the development of people within the Company and its profile within the business community.	Examples of key performance indicators include: • Achievement of financial targets such as revenue, gross profit, and operational targets such as subscriber growth. • Achievement of network expansion targets to ensure capacity ahead of the demand curve. • Overheads and cost control targets. • Targets set in relation to the Group business plan such as meeting targeted launch dates, and • Targets set for safety performance based on Total Recordable Injury Frequency Rates.
LTI	Executives are entitled to participate in the employee securities incentive plan.	To better align executives to the interests of shareholders and provide a reward based on long term growth in share price and earnings.	Retains key staff to help grow long term value for shareholders.

2.3 Remuneration practices

The Company aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the business and aligned with market practice.

The Board exercise its discretion in relation to approving incentives, bonuses, rights and shares.

Where applicable, executive directors and executives receive a superannuation guarantee contribution required by the Government, which during the year was 10% (subject to the statutory cap), and do not receive any other retirement benefits.

Upon retirement, specified directors and executives are paid employee entitlements and incentives accrued to the date of their retirement.

All remuneration paid to directors and executives is valued at cost to the Company and expensed. Where performance rights and shares are given to directors and executives, they are valued according to the accounting standards.

2.4 Short term incentive plan ('STI')

The STI program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include revenue and gross profit growth, subscriber growth and new product launches, customer satisfaction, leadership contribution and network capacity and capability.

General terms of the STI plan

How is it paid?
Generally, in cash.

How much can executives earn?
Executives can earn up to a maximum of 30% of their total fixed remuneration as an STI incentive. The Board has discretion for potential overperformance.

How is performance measured?
Through a balance scorecard of financial, operational and organisation development KPI's set prior to the commencement of each financial year. Financial measures are assessed based on the Group's audited financial results

When is it paid?
In the third quarter of the calendar year.

What happens if an executive leaves or there is a change of control?
The payment of any accrued or part STI benefit in these circumstances is at the discretion of the Board.

The STI award opportunity is based on a percentage of an individual's base salary. For the MD, a maximum award opportunity of 30% of total fixed remuneration is available. The STI is based on the previous financial year's base salary earnings to 30 June before performance-based remuneration reviews.

2.5 Long term incentive plan ('LTI')

The LTI program offered to key executives forms a key part of their remuneration and assists to align their interests with the long-term interests of shareholders. The purpose of the LTI Scheme is to reward key executives for attaining results over a long measurable period and for staying with the organisation. The LTI Scheme is currently a share-based incentive plan consisting of share options.

The LTI include long service leave and share-based payments.

In the 2023 financial year, the Board will consider and determine to introduce a new post-IPO LTI scheme appropriate for the stage of the Company's development.

3. Link between Company performance and executive remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of a cash bonus and incentive payments are dependent on defined earnings per financial and operational targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration and Nomination Committee.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors, and executives. There have been two methods applied in achieving this aim, the first being a performance-based short term incentive based on key performance indicators, and the second being the issue of options to executive directors and executives to encourage the alignment of personal and shareholder interests.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022	2021	2020	2019	2018
	$'000	$'000	$'000	$'000	$'000
Revenue	16,829	10,917	4,997	1,772	261
EBITDA[4]	(4,398)	(8,290)	(3,926)	(1,664)	(414)
EBIT	(7,779)	(9,798)	(4,956)	(2,130)	(462)
Loss after income tax	(7,925)	(13,697)	(5,111)	(2,185)	(463)

	2022	2021	2020	2019	2018
	$	$	$	$	$
Share price at financial year end	0.270	0.675	0.13[5]	0.102	0.102
Basic loss per share (cents per share)	(0.03)	(0.07)	(0.04)	(0.02)	(0.01)

[4] EBITDA is a financial measure that is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax

[5] The share price in subsequent financial years ending 30 June 2018 to 30 June 2020 relate to seed round fundings raised prior to the IPO.

4. Employment contracts of directors

Name:	**Stephen Cornish**
Title:	**Managing Director**
Agreement commenced:	**1 November 2017**
Details:	The Company has entered into an executive services agreement with Mr Stephen Cornish effective from 1 November 2017, pursuant to which Mr Cornish will serve as Managing Director of the Company on a full-time basis (MD Agreement). Base salary for the year ended 30 June 2022 of $350,000 plus superannuation, to be reviewed annually by the Remuneration and Nomination Committee. The MD agreement is for an indefinite term, continuing until terminated by either Mr. Stephen Cornish giving not less than 2 months' notice or the Company giving not less than 6 months' written notice of termination (or shorter periods in limited circumstances). On termination of the MD Agreement, however occurring, Mr Stephen Cornish is required to resign without claim for compensation from any office held by Mr Stephen Cornish in the Company or any member of the Group. Mr Stephen Cornish is entitled to participate in bonus and/or other incentive schemes as determined by the Remuneration and Nomination Committee approval and KPI achievement. The service agreement contains standard non-solicitation and non-compete clauses.

Name:	**Timothy Cornish**
Title:	**Executive Director**
Agreement commenced:	**1 July 2018**
Details:	The Company has entered into an executive services agreement with Mr Timothy Cornish, effective from 1 July 2018, pursuant to which Mr Timothy Cornish will serve as an Executive Director of the Company on a full-time basis (ED Agreement). Base salary for the year ended 30 June 2022 of $175,000 plus superannuation, to be reviewed annually by the Remuneration and Nomination Committee. The ED Agreement is for an indefinite term, continuing until terminated by either Mr Timothy Cornish giving not less than 2 months' notice or the Company giving not less than 6 months' written notice of termination (or shorter periods in limited circumstances). On termination of the ED Agreement, however occurring, Mr Timothy Cornish is required to resign without claim for compensation from any office held by Mr Timothy Cornish in the Company or any member of the Group. Mr Timothy Cornish is entitled to participate in bonus and/or other incentive schemes as determined by the Remuneration and Nomination Committee approval and KPI achievement. The service agreement contains standard non-solicitation and non-compete clauses.

Name:	**David Buckingham**
Title:	**Non-Executive Chairman**
Agreement commenced:	**10 September 2020**
Terms of agreement	**Ongoing until terminated**
Details:	Base salary for the year ended 30 June 2022 of $75,000 plus superannuation. The terms of the appointment are subject to the provision of the constitution relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the non-executive director is not re-elected by shareholders.

Name:	**Craig Amos**
Title:	**Non-Executive Director**
Agreement commenced:	**26 November 2018** **(resigned 23 November 2021)**
Terms of agreement	**Ongoing until terminated**
Details:	Base salary for the year ended 30 June 2022 of $50,000 plus superannuation. The terms of the appointment are subject to the provision of the constitution relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the non-executive director is not re-elected by shareholders.

Name:	**Dalton Gooding**
Title:	**Non-Executive Director**
Agreement commenced:	**26 November 2018**
Terms of agreement	**Ongoing until terminated**
Details:	Base salary for the year ended 30 June 2022 of $50,000 plus superannuation. The terms of the appointment are subject to the provision of the constitution relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the non-executive director is not re-elected by shareholders.

Name:	**Sian Whyte**
Title:	**Non-Executive Director**
Agreement commenced:	**8 March 2022**
Terms of agreement	**Ongoing until terminated**
Details:	Base salary for the year ended 30 June 2022 of $50,000 plus superannuation. The terms of the appointment are subject to the provision of the constitution relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which the non-executive director is not re-elected by shareholders.

5. Non-Executive Director fee arrangements

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment, and responsibilities. The Board approves payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties, and accountability.

Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders during a general meeting and currently stands at a maximum pool of $300,000.

Fees for Non-Executive Directors are not linked to the performance of the consolidated entity; however, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

6. Details of remuneration

Amounts of remuneration:

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables:

		Short-term benefits		Post-employment benefits	Share-based payments[1]	% Performance related	
2022	Cash salary & fees $	Cash bonus $	Non-monetary $	Super-annuation $	Equity-settled $		Total $
Non-Executive Directors							
David Buckingham	75,000	-	-	7,500	-	-	82,500
Dalton Gooding	50,000	-	-	5,000	-	-	55,000
Craig Amos	20,833	-	-	2,083	-	-	22,916
Sian Whyte	16,667	-	-	1,667	-	-	18,334
Executive Directors							
Stephen Cornish	318,654	42,000	-	28,222	-	11%	388,876
Timothy Cornish	175,000	14,000	-	18,900	-	7%	207,900
Other Key Management Personnel:							
Patrick Holywell	57,525	-	-	-	-	-	57,525
Mart-Marie Derman	193,077	16,000	-	20,908	-	7%	229,985
	906,756	**72,000**	**-**	**84,280**	**-**	**7%**	**1,063,036**

	Short-term benefits			Post-employment benefits	Share-based payments[1]	% Performance related	
	Cash salary & fees	Cash bonus	Non-monetary	Super-annuation	Equity-settled		Total
2021	$	$	$	$	$		$
Non-Executive Directors							
David Buckingham	62,500	-	-	5,938	439,550	-	507,988
Dalton Gooding	38,541	-	-	3,266	368,417	-	410,224
Craig Amos	30,625	-	-	2,909	266,310	-	299,844
Russell Kane	2,083	-	-	-	-	-	2,083
Executive Directors							
Stephen Cornish	228,689	125,000	-	19,233	1,463,419	7%	1,836,341
Timothy Cornish	145,641	80,000	-	14,783	979,915	7%	1,220,339
Other Key Management Personnel:							
Patrick Holywell	82,335	-	-	-	87,910	-	170,245
Mart-Marie Derman	115,770	-	89,355	14,120	219,775	-	439,020
	706,184	**205,000**	**89,355**	**60,249**	**3,825,296**	**7%**	**4,886,084**

Additional disclosures relating to key management personnel

Shareholding*

The number of shares in the Company held during the financial year by each director and members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
David Buckingham	200,000	-	23,500	-	223,500
Dalton Gooding	3,575,641	-	-	-	3,575,641
Craig Amos	1,051,283	-	-	-	1,051,283
Stephen Cornish	50,458,135	-	-	-	50,458,135
Timothy Cornish	13,471,135	-	-	-	13,471,135
Patrick Holywell	637,181	-	-	-	637,181
Mart-Marie Derman	1,170,000	-	-	-	1,170,000
	70,563,375	**-**	**-**	**-**	**70,586,875**

*Includes shares held directly, indirectly and beneficially by KMP

Option holding*

The number of options over ordinary shares in the Company held during the financial year by each director and members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Expired	Expired/forfeited/ other	Balance at the end of the year
Options over ordinary shares					
David Buckingham	3,000,000	-	-	-	3,000,000
Dalton Gooding	2,400,000	-	-	-	2,400,000
Craig Amos	1,800,000	-	-	-	1,800,000
Stephen Cornish	9,900,000	-	-	-	9,900,000
Timothy Cornish	6,600,000	-	-	-	6,600,000
Patrick Holywell	600,000	-	-	-	600,000
Mart-Marie Derman	1,500,000	-	-	-	1,500,000
	25,800,000[6]	-	-	-	25,800,000[1]

*Includes options held directly, indirectly and beneficially by KMP
[6] All options held at year end are vested and exercisable.

Other transactions with key management personnel and their related parties:

Pentanet Ltd spent $28,403 with DFK Gooding Partners for accounting and tax advisory services during the year, on commercial terms and market rates, which is a director related entity (Dalton Gooding), with a $2,675 balance relating to this fee outstanding as at 30 June 2022.

Pentanet Ltd spent $99,450 with The Cornish Property Trust for rent of commercial property during the 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 30 June 2022.

This concludes the Remuneration Report, which has been audited.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to ensure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined below:

	Consolidated	
	2022 $	2021 $
Audit services - BDO Audit (WA) Pty Ltd Audit or review of the financial statements	97,850	74,777
Other services - BDO Corporate Finance (WA) Pty Ltd Independent limited assurance report	-	13,596
	97,850	**88,373**

The directors are satisfied that the provision of non-audit services during the financial year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

Auditor

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors,

DAVID BUCKINGHAM
Non-Executive Chairman
18 August 2022
Perth

Auditor Independence Declaration

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Australia

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

As lead auditor of Pentanet Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

GLYN O'BRIEN

Director

BDO Audit (WA) Pty Ltd

Perth, 18 August 2022

Financial Report

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 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. Its registered office and principal place of business are:

Registered office
Unit 2 / 8 Corbusier Place, Balcatta 6021, WA

Principal place of business
Level 4, 45 St Georges Terrace, Perth WA, 6000

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 the 18th August 2022. The directors have the power to amend and reissue the financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenue	4	16,829	10,917
Other income	5	300	166
Total revenue		17,129	11,083
Expenses	6		
Network, carrier, and hardware expenses		(9,461)	(6,175)
Employee benefits expense		(6,634)	(5,569)
Share-based payments		-	(4,500)
Other expenses		(5,432)	(3,129)
Loss before finance cost, tax, depreciation, and amortisation expenses		**(4,398)**	**(8,290)**
Finance costs		(146)	(3,899)
Depreciation and amortisation expense	6	(3,381)	(1,508)
Loss before income tax expense		**(7,925)**	**(13,697)**
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Pentanet Ltd	30	**(7,925)**	**(13,697)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Pentanet Ltd		**(7,925)**	**(13,697)**
		Cents	**Cents**
Basic and diluted (loss) per share attributable to owners of Pentanet Ltd	35	(0.03)	(0.07)

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

Consolidated statement of financial position

As at 30 June 2022

	Note	Consolidated 2022 $'000	2021 $'000
Assets			
Current assets			
Cash and cash equivalents	8	13,388	32,705
Trade and other receivables	9	653	116
Inventories	10	334	163
Deposits and prepayments	11	726	397
Total current assets		15,101	33,381
Non-current assets			
Property, plant, and equipment	13	16,171	9,229
Right-of-use assets	14	2,298	1,546
Intangibles	15	8,568	9,041
Investment	12	4,000	-
Total non-current assets		31,037	19,816
Total assets		**46,138**	**53,197**
Liabilities			
Current liabilities			
Trade and other payables	16	3,684	2,636
Contract liabilities	17	100	80
Employee benefits	18	404	227
Other liabilities	19	2,280	380
Lease liabilities	20	993	479
Total current liabilities		7,461	3,802
Non-current liabilities			
Contract liabilities	17	-	23
Employee benefits	18	-	53
Other liabilities	19	3,804	6,959
Lease liabilities	20	1,312	1,008
Total non-current liabilities		5,116	8,043
Total liabilities		12,577	11,845
Net assets		**33,561**	**41,352**
Equity			
Reserves	21	5,568	5,568
Issued capital	22	57,348	57,214
Accumulated losses	23	(29,355)	(21,430)
Total equity		**33,561**	**41,352**

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

Consolidated statement of changes in equity

For the year ended 30 June 2022

Consolidated	Issued capital	Reserves	Accumulated losses	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2020	8,139	1,108	(7,733)	1,514
Loss after income tax expense for the year	-	-	(13,697)	(13,697)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(13,697)	(13,697)
Transactions with owners in their capacity as owners:				
Issue of shares	51,381	-	-	51,381
Share issue costs	(2,306)	-	-	(2,306)
Share-based payment expense	-	4,460	-	4,460
Balance at 30 June 2021	**57,214**	**5,568**	**(21,430)**	**41,352**

Consolidated	Issued capital	Reserves	Accumulated losses	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2021	57,214	5,568	(21,430)	41,352
Loss after income tax expense for the year	-	-	(7,925)	(7,925)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(7,925)	(7,925)
Transactions with owners in their capacity as owners:				
Issue of shares	134	-	-	134
Share issue costs	-	-	-	-
Share-based payment expense	-	-	-	-
Balance at 30 June 2022	**57,348**	**5,568**	**(29,355)**	**33,561**

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

Consolidated statement of cash flows

For the year ended 30 June 2022

	Note	Consolidated	
		2022	2021
		$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		17,084	10,863
Payments to suppliers and employees (inclusive of GST)		(21,816)	(14,172)
		(4,732)	(3,309)
Other income		47	166
Interest received		7	-
Interest and other finance costs paid		(146)	(76)
Net cash used in operating activities	8	(4,824)	(3,219)
Cash flows from investing activities			
Payments for property, plant, and equipment	13	(9,427)	(5,064)
Payments for intangibles	15	(465)	(1,828)
Payments for financial assets at fair value through other comprehensive income	12	(4,000)	-
Net cash used in investing activities		(13,892)	(6,892)
Cash flows from financing activities			
Proceeds from issue of shares	22	134	43,698
Share issue transaction costs		-	(2,305)
Proceeds from the exercise of options		-	501
Payment of lease liabilities		(735)	(351)
Net cash from financing activities		(601)	41,543
Net increase in cash and cash equivalents		(19,317)	31,432
Cash and cash equivalents at the beginning of the financial year	8	32,705	1,273
Cash and cash equivalents at the end of the financial year	**8**	**13,388**	**32,705**

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

Notes to the consolidated financial statements

Note 1

Significant accounting policies

01

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 30

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pentanet Ltd ('Company' or 'parent entity') as at 30 June 2022, and the results of all subsidiaries for the year then ended. Pentanet Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets, including goodwill, liabilities, and non-controlling interest in the subsidiary, together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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 CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The Group operates in two segments: internet and telecommunication services and gaming technology within Australia.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Pentanet Ltd's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price, which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered, and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The consolidated entity principally generates revenue from providing wireless, fibre broadband and cloud gaming services. The provision of wireless communication services includes initial installation of associated network infrastructure. The typical length of a contract for wireless broadband services is 12-24 months. The provision of fibre communication services does not require the installation of network infrastructure.

The provision of cloud-gaming services provides the subscriber access to the cloud server allowing the subscriber to play games remotely from the cloud. The typical length of a contract is either a monthly or annual subscription contract.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

For bundled packages, the Group accounts for individual products and services separately if they are distinct - i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the devices and services. For items that are not sold separately, the Group estimates stand-alone selling prices using the adjusted market assessment approach.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on a fixed price.

Revenue from the provision of wireless broadband services is recognised monthly over the expected life of the contract, including any expected extensions of the service. Installation of the internet service is not distinct from the provision of internet service as the customer cannot benefit from either the broadband service or installation alone. The installation and broadband service are therefore identified as a single performance obligation, and the associated revenue is recognised over time.

Significant accounting policies (continued)

Revenue from the provision of fibre broadband services is recognised each month the service is made available to the consumer.

Revenue from the provision of telecommunication services relating to NBN service is recognised each month the service is made available to the customer.

Revenue from the provision of cloud gaming services is recognised each month the service is made available to the consumer.

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

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

Disposal of assets
Revenue from the disposal of other assets is recognised when the Group has transferred the risks and rewards of ownership to the buyer.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Government grants are recognised when there is reasonable certainty that the grant will be received, and all grant conditions are met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered, or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Property, plant, and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Network infrastructure	2-10 years
Leasehold improvements	5 years
Plant and equipment	2-10 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

At the inception of a contract, the Group assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on a reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of relative stand-alone prices.

Measurement
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to an impairment or adjusted for any remeasurement of lease liabilities.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Class of right of use asset:	Network infrastructure
Useful life:	2-10 years
Depreciation method:	Straight-line basis

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Significant accounting policies (continued)

Trademarks
Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 - 10 years

Intellectual Property
Intellectual Property acquired through a separate acquisition is recorded at cost. Intangible assets with indefinite lives are measured at cost less any accumulated impairment, where applicable, as indicated during annual impairment testing.

Licenses
Significant costs associated with licenses are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 1 - 15 years.

Other Intangible Assets
Other intangible assets that have finite lives are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite lives are measured at cost less any accumulated impairment, where applicable, as indicated during annual impairment testing.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond, and this amount is carried as a current liability at fair value until extinguished on conversion or redemption. Changes in the fair value of the liability are recognised as a finance cost.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of the lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

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

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date, are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, the experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date, less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum, an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date, and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Significant accounting policies (continued)

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Pentanet Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from or payable to the tax authority are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2

Critical accounting judgments, estimates and assumptions

02

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Other indefinite life intangible assets
The consolidated entity tests annually, or more frequently, if events or changes in circumstances indicate impairment, whether other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Employee benefits provision
As discussed in Note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to Note 26 for further information.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and a lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option or not to exercise a termination option are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; the existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option or not exercise a termination option if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 3

Operating segment information

03

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 2022 or 2021 that contributed more than 5% of revenue.

Operating segments
The directors have chosen to organise the Group around the three 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 other income and costs being allocated to the two cash-generating units.

Operating segment information

Consolidated 2022	Internet services	Gaming and technology services	Total
	$'000	$'000	$'000
Revenue			
Revenue	16,107	722	16,829
Total revenue	16,107	722	16,829
EBITDA[4]	(3,646)	(752)	(4,398)
Finance costs	(146)	-	(146)
Depreciation and amortisation	(3,004)	(377)	(3,381)
Loss before income tax expense	(6,796)	(1,129)	(7,925)
Income tax expense	-	-	-
Loss after income tax expense	(6,796)	(1,129)	(7,925)
Assets			
Segment assets	35,586	10,752	46,138
Total assets	35,586	10,752	46,138
Liabilities			
Segment liabilities	12,464	113	12,577
Total liabilities	**12,464**	**113**	**12,577**

Consolidated 2021	Internet services	Gaming and technology services	Total
	$'000	$'000	$'000
Revenue			
Revenue	10,917	-	10,917
Total revenue	10,917	-	10,917
EBITDA[4]	(8,035)	(255)	(8,290)
Finance costs	(3,899)	-	(3,899)
Depreciation and amortisation	(1,508)	-	(1,508)
Loss before income tax expense	(13,442)	(255)	(13,697)
Income tax expense	-	-	-
Loss after income tax expense	(13,442)	(255)	(13,697)
Assets			
Segment assets	50,119	3,078	53,197
Total assets	**50,119**	**3,078**	**53,197**
Liabilities			
Segment liabilities	11,823	22	11,845
Total liabilities	**11,823**	**22**	**11,845**

[4] EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude, share based expenses, cost of options exercised on behalf of staff and IPO related costs. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

Note 4

Revenue

04

	Consolidated	
	2022 $'000	2021 $'000
Rendering of services - telecommunication services	547	616
Rendering of services - recurring network revenue	14,762	9,511
Gaming and technology revenue	722	-
Sale of goods	798	790
Revenue	**16,829**	**10,917**
Timing of revenue recognition		
Services transferred overtime	16,031	10,127
Goods transferred at a point in time	798	790
Revenue	**16,829**	**10,917**

Note 5

Other income

05

	Consolidated	
	2022 $'000	2021 $'000
Australian tax office - COVID19 grants	-	166
Research and development grant	78	-
Interest income	7	-
Other income	215	-
Total	**300**	**166**

Note 6

Expenses

	Consolidated	
	2022 $'000	2021 $'000
Loss before income tax includes the following specific expenses:	-	
Network, carrier and hardware expenses	9,461	6,175
Depreciation		
Leasehold Improvements	47	28
Plant and Equipment	319	176
Network Infrastructure	1,350	684
Right of use assets	800	495
Total depreciation	2,516	1,383
Amortisation		
Amortisation	865	125
Total depreciation and amortisation	3,381	1,508
Finance costs		
Finance cost on loans	78	23
Finance cost on leases	68	53
Finance cost on convertible notes	-	3,823
Finance costs expensed	146	3,899
Share-based payments expense		
Share-based payments expense	-	4,500
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	6,125	5,246[7]
Superannuation expense		
Defined contribution superannuation expense	509	323
Total employee benefit expense including superannuation	6,634	5,569
Advertising and promotion	2,392	1,112
Legal and professional services	648	228
IPO related cost	-	293
Other operating expenses	2,392	1,496
Other expenses	5,432	3,129

[7] Included in FY21 employee benefit expense is $977,313 and $66,494 relating to 8,275,000 options exercised on behalf of staff as remuneration.

Note 7
Income tax expense

07

	Consolidated	
	2022 $'000	2021 $'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(7,925)	(13,697)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,981)	(3,561)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Add: other non-allowable items	2	1,203
Less: other deductable items	-	-
Current net deferred tax asset not recognised	(1,979)	(2,358)
Unrecognised deferred tax relating to tax losses	(1,979)	(2,358)
Unrecognised deferred tax relating to temporary differences	(1,445)	585
Total deferred tax asset not brought to account	(3,424)	(1,773)
Tax losses not recognised	13,699	6,489
Income tax expense	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%

Note 8

Cash and cash equivalents

08

	Consolidated	
	2022	2021
	$'000	$'000
Cash at bank	5,562	32,380
Term deposits	7,826	325
Total	**13,388**	**32,705**

Reconciliation of loss after income tax to net cash used in operating activities:

	Consolidated	
	2022	2021
	$'000	$'000
Loss after income tax expense for the year	(7,925)	(13,697)
Adjustments for:		
Depreciation and amortisation	3,381	1,508
Interest expense	93	3,823
Share-based payments	-	4,500
Change in operating assets and liabilities:		
(Decrease)/increase in trade and other receivables	(538)	19
Increase in inventories	(171)	(85)
Increase in prepayments	(329)	(142)
Increase in trade and other payables	545	752
Increase/(decrease) in contract liabilities	(3)	(73)
Increase in employee benefits	123	176
Net cash used in operating activities	(4,824)	(3,219)
Non-cash investing and financing activities		
Additions to the right-of use assets	1,524	502
Exercise of employee share options	-	544
Conversion of convertible notes and exercise of options	-	5,161
Conversion of convertible notes	-	685
Total	**1,524**	**6,892**

Note 9

Current assets - trade and other receivables

09

	Consolidated	
	2022 $'000	2021 $'000
Trade receivables	184	117
Less: Allowance for expected credit losses	(19)	(5)
	165	112
Other receivables	488	4
	653	**116**

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Not past due	1%	1%	83	92	1	1
0-30 days past due	1%	1%	26	13	-	-
31-60 days past due	7%	9%	5	5	-	-
61-90 days past due	51%	61%	21	1	11	4
More than 90 days past due	24%	31%	30	1	7	-
			165	**112**	**19**	**5**

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2022 $'000	2021 $'000
Opening balance	5	15
Additional provisions recognised	44	21
Receivables written off during the year as uncollectable	(30)	(31)
Closing balance	**19**	**5**

Allowance for expected credit losses

The Consolidated Entity has recognised a loss of $18,904 ($4,542 as at 30 June 2021) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

Note 10

Current assets - inventories

10

	Consolidated	
	2022 $'000	2021 $'000
Finished goods - at cost	334	163

Finished goods are recognised at cost and no net realisable adjustment is required for year ended 30 June 2022.

Note 11

Current assets - deposits and prepayments

11

	Consolidated	
	2022 $'000	2021 $'000
Prepayments	417	359
Security deposits	309	38
	726	**397**

Note 12

Non-current assets - financial assets at fair value through other comprehensive income

12

	Consolidated	
	2022 $'000	2021 $'000
Unlisted ordinary shares		
CANOPUS Networks Pty Ltd	4,000	-
	4,000	**-**

Refer to Note 26 for further information on fair value measurement.

Note 13

Non-current assets - property, plant and equipment

13

	Consolidated	
	2022	2021
	$'000	$'000
Leasehold improvements - at cost	425	124
Less: Accumulated depreciation	(113)	(34)
	312	90
Plant and equipment - at cost	1,777	1,251
Less: Accumulated depreciation	(589)	(334)
	1,188	917
Network infrastructure - at cost	17,824	9,483
Less: Accumulated depreciation	(3,153)	(1,261)
	14,671	8,222
	16,171	**9,229**

No impairment indicators have been identified as assessed by management.

Reconciliations

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

	Leasehold improvements	Plant and equipment	Network infrastructure	Total
Consolidated	$'000	$'000	$'000	$'000
Balance at 1 July 2020	24	626	3,179	3,829
Additions	94	467	6,155	6,716
Disposals	-	-	(428)	(428)
Depreciation expense	(28)	(176)	(684)	(888)
Balance at 30 June 2021	90	917	8,222	9,229
Additions	269	629	8,074	8,992
Disposals	-	(39)	(275)	(314)
Depreciation expense	(47)	(319)	(1,350)	(1,716)
Balance at 30 June 2022	**312**	**1,188**	**14,671**	**16,171**

Note 14

Non-current assets - right-of-use assets

14

	Consolidated	
	2022 $'000	2021 $'000
Office lease - right-of-use	1,150	279
Less: Accumulated depreciation	(403)	(179)
	747	100
Network infrastructure - right-of-use	2,947	2,295
Less: Accumulated depreciation	(1,396)	(849)
	1,551	1,446
	2,298	**1,546**

Reconciliations

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

	Network infrastructure	Office lease	Total
Consolidated	$'000	$'000	$'000
Balance at 1 July 2020	1,509	160	1,669
Additions	502	-	502
Disposals	(130)	-	(130)
Depreciation expense	(435)	(60)	(495)
Balance at 30 June 2021	1,446	100	1,546
Additions	681	871	1,552
Disposals	-	-	-
Depreciation expense	(576)	(224)	(800)
Balance at 30 June 2022	**1,551**	**747**	**2,298**

Note 15

Non-current assets - intangibles

15

	Consolidated	
	2022	2021
	$'000	$'000
Trademarks and design - at cost	93	47
Less: Accumulated amortisation	(5)	(1)
	88	46
Software - at cost	333	241
Less: Accumulated amortisation	(233)	(149)
	100	92
Other intangible assets - at cost	463	273
Less: Accumulated amortisation and impairment	(40)	(29)
	423	244
Licenses - at cost	8,719	8,689
Less: Accumulated amortisation	(762)	(30)
	7,957	8,659
	8,568	**9,041**

No impairment indicators have been identified as assessed by management.

Reconciliations

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

	Trademark and design	Software	Licenses	Other	Total
Consolidated	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	22	86	-	254	362
Additions	25	87	8,689	3	8,804
Amortisation expense	(1)	(81)	(30)	(13)	(125)
Impairment					
Balance at 30 June 2021	46	92	8,659	244	9,041
Additions	46	92	62	192	392
Amortisation expense	(4)	(84)	(734)	(13)	(865)
Balance at 30 June 2022	**88**	**100**	**7,957**	**423**	**8,568**

Note 16
Current liabilities - trade and other payables

16

	Consolidated	
	2022 $'000	2021 $'000
Trade payables	2,878	2,030
BAS payable	209	163
Other payables	597	443
	3,684	2,636

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

Refer to Note 25 for further information on financial instruments.

Note 17
Contract liabilities

17

	Consolidated	
	2022 $'000	2021 $'000
Current liabilities - contract liabilities	100	80
Non-current liabilities - contract liabilities	-	23
	100	103

Reconciliation

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

	Consolidated	
	2022 $'000	2021 $'000
Opening balance	103	177
Payments received in advance	202	203
Transfer to revenue - included in the opening balance	(205)	(277)
Closing balance	**100**	**103**

For the internet service revenue stream, there are two performance obligations, the delivery of hardware to facilitate connection and internet service. Payments are received as part of the delivery and installation process, and then services are settled monthly. Amounts received in relation to installations is combined with expected monthly payments for the total transaction price. Installation is not considered to be a separate performance obligation as the customer does not obtain any benefit at the point of installation and is therefore not distinct and bundled with the provision of wireless broadband.

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $100,000 as at 30 June 2022 ($103,000 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2022 $'000	2021 $'000
Within one year	92	80
Between one and two years	6	18
Between two and five years	2	5
	100	103

Note 18

Employee benefits

18

	Consolidated	
	2022 $'000	2021 $'000
Current liabilities – employee benefits	404	227
Non-current liabilities – employee benefits	-	53

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances.

The entire amount is presented as current since the Group does not have an unconditional right to defer settlement. However, based on experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2022 $'000	2021 $'000
Employee benefits obligation to be settled after 12 months	-	53

Note 19

Other liabilities

19

	Consolidated	
	2022 $'000	2021 $'000
Term purchases	445	256
Intangible asset finance[1]	1,835	124
Total current other liabilities	2,280	380
Term purchases	354	225
Intangible asset finance[1]	3,450	6,734
Total non-current other liabilities	3,804	6,959
	6,084	7,339

[1] **Description of Intangible asset finance**

The Group purchased a 15-year Spectrum license in the April 2021 auction conducted by the ACMA for $7,986,200 (Cost). (Ref. Note 15. Non-current assets – Licenses). The Group elected to pay the license fee over five equal installments per the ACMA's allocation determination.

Refer to Note 25 for further information on financial instruments.

Note 20

Lease liabilities

20

	Consolidated	
	2022 $'000	2021 $'000
Current lease liability	993	479
Non-current lease liabilities	1,312	1,008
Total lease liabilities	**2,305**	**1,487**

Description of lease arrangements

The Group leases land and buildings for its office spaces as well as network infrastructure. The typical lease period of these leases is summarised below. Where leases include an option to renew the lease after the end of the contract term, the Group assesses whether it is reasonably certain to exercise the extension options at the lease commencement. In addition, it reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Lease category	Term of lease	Renewal option available
Building	5 Years	2 Years
Network infrastructure	2-10 Years	5 Years

Refer to Note 25 for further information on financial instruments.

Note 21

Equity - reserves

21

	Consolidated	
	2022 $'000	2021 $'000
Share-based payments reserve	5,568	5,568

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Issued capital $'000	Reserves $'000	Total $'000
Balance at 1 July 2020	8,139	1,108	9,247
Issue of shares	51,381	-	51,381
Share issue costs	(2,306)	-	(2,306)
Share-based payments expense	-	4,460	4,460
Balance at 30 June 2021	57,214	5,568	62,782
Issue of shares	134	-	134
Share issue costs	-	-	-
Share-based payments expense	-	-	-
Balance at 30 June 2022	**57,348**	**5,568**	**62,916**

Nature and purpose of reserves

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personal, as part of their remuneration. Refer to Note 27 for further details of these plans.

Note 22

Equity - issued capital

22

	Consolidated			
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Ordinary shares - fully paid	295,810,713	294,797,713	57,348	57,214

Equity - issued capital (continued)

Movements in ordinary share capital

Movements in each class of reserve during the current and previous financial year are set out below:

Details	Date	Shares	Issue price	$'000
Balance	30 June 2020	131,750,999		8,139
Conversion of convertible notes and exercise of options	11 December 2020	26,902,594	$0.25	6,726
Conversion of convertible notes	11 December 2020	2,741,342	$0.25	685
Exercise of options	11 December 2020	1,500,000	$0.15	225
Exercise of employee share options	11 December 2020	2,000,000	$0.10	200
Exercise of employee share options	11 December 2020	5,215,000	$0.03	146
Exercise of employee share options	11 December 2020	3,060,000	$0.13	398
Ordinary shares issued under IPO offer	7 January 2021	89,840,000	$0.25	22,460
Ordinary shares issued to employees	7 January 2021	160,000	$0.25	40
Exercise of employee share options	12 March 2021	200,000	$0.13	26
Ordinary shares	18 June 2021	27,777,778	$0.72	20,000
Exercise of employee share options	29 June 2021	3,650,000	$0.13	475
Share issue transaction cost				(2,306)
Balance	30 June 2021	294,797,713		57,214
Exercise of employee share options		1,000,000	0.13	130
Exercise of employee share options		13,000	0.30	4
Balance	**30 June 2022**	**295,810,713**		**57,348**

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.

Capital risk management

When managing capital, the consolidated entity's objectives are to safeguard its ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders and maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or Company was seen as value-adding relative to the current Company's share price at the time of the investment. However, the consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants, and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Financial Statements.

Note 23

Equity - accumulated losses

23

	Consolidated	
	2022	2021
	$'000	$'000
Accumulated losses at the beginning of the financial year	(21,430)	(7,733)
Loss after income tax expense for the year	(7,925)	(13,697)
Accumulated losses at the end of the financial year	**(29,355)**	**(21,430)**

Note 24

Equity - dividends

24

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 25

Financial instruments

25

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls, and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board monthly.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The consolidated entity does not have any material future commercial transactions not denominated in the entity's functional currency.

Price risk
The consolidated entity is not exposed to any significant price risk. The majority of customers in each entity sign up to a contract term with an agreed price.

Interest rate risk
The Consolidated Entity has limited Interest rate risk, with a fixed rate on loans.

Price risk exposure
The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet at fair value through other comprehensive income (FVOCI).

Should the fair value of the investment increase or decrease by 10%, the impact to the balance sheet and equity would be $400,000 (30 June 2021: Nil).

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

For banks and financial institutions, only independently rated parties with a minimum rating of 'AA' are accepted.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates, and available forward-looking information.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Financial instruments (continued)

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit loss	
Consolidated	2022 %	2021 %	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Not past due	1%	0.9%	83	92	1	1
0-30 days past due	1%	0.7%	26	13	-	-
31-60 days past due	7%	9.0%	5	5	-	-
61-90 days past due	51%	61.0%	21	1	11	4
More than 90 days past due	24%	31.5%	30	1	7	-
			165	112	19	5

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2022 $'000	2021 $'000
Opening balance	5	15
Additional provisions recognised	44	21
Receivables written off during the year as uncollectable	(30)	(31)
Closing balance	**19**	**5**

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities, and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2022	%	$'000	$'000	$'000	$'000	$'000
Non-derivatives						
Non-interest bearing						
Trade payables		2,878	-	-	-	2,878
Other payables		806	-	-	-	806
Contract liabilities		100	-	-	-	100
Interest bearing						
Term purchase and other finance arrangements	3.13%	697	1,878	3,552	-	6,127
Lease liability	3.50%	993	544	768	-	2,305
Total non-derivatives		**5,474**	**2,422**	**4,320**	**-**	**12,216**

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2021	%	$'000	$'000	$'000	$'000	$'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,030	-	-	-	2,030
Other payables	-	605	-	-	-	605
Contract liabilities	-	80	23	-	-	103
Interest bearing						
Term purchase and other finance arrangements	2.88%	390	1,880	3,591	1,623	7,484
Lease liability	3.50%	503	496	447	87	1,533
Total non-derivatives		**3,608**	**2,399**	**4,038**	**1,710**	**11,755**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 26

Fair value measurement of financial instruments

26

The Group holds the following financial instruments:

		Consolidated	
Financial Assets	Note	2022 $'000	2021 $'000
Cash and cash equivalents	8	13,388	32,705
Trade and other receivables	9	653	116
Financial assets at fair value through other comprehensive income	12	4,000	-
		18,041	32,821

(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.

	2022 $'000	2021 $'000
Non-current assets		
Unlisted securities		
CANOPUS Networks Pty Ltd	4,000	-
	4,000	-

(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 30 June 2022 the interest held in CANOPUS has reduced to 13.0%, being the result of a subsequent capital raise with 189,469 shares being issued at $5.2779 each.

(b) 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

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

	Level 1	Level 2	Level 3	Level 4
Consolidated 2022	$'000	$'000	$'000	$'000
Assets				
Ordinary shares at fair value through other comprehensive income	-	-	4,000	4,000
Total assets	**-**	**-**	**4,000**	**4,000**

	Level 1	Level 2	Level 3	Level 4
Consolidated 2021	$'000	$'000	$'000	$'000
Assets				
Ordinary shares at fair value through other comprehensive income	-	-	-	-
Total assets	**-**	**-**	**-**	**-**

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Unquoted investments have been valued using the most recent fair market value. Fair market value being defined as the price negotiated in an open market between a willing buyer and willing seller at an arm's length.

The fair market value of Pentanet's investment in CANOPUS at reporting date has been determined using the most recent capital raise undertaken by CANOPUS. CANOPUS has raised an additional $1,000,000 through the issue of 189,469 shares at $5.2779 each, this being equal to the fair value at initial recognition of the investment by Pentanet and representing the fair value at the date of this report with no adjustment being required to the fair value.

Note 27

Key management personnel disclosures

27

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
Financial Assets	2022 $	2021 $
Short-term employee benefits	978,756	1,000,539
Post-employment benefits	84,280	60,249
Share-based payments	-	3,825,296
	1,063,036	**4,886,084**

Short-term employee benefits

These amounts include all salary, paid leave benefits and fringe benefits paid to directors and key management personnel

Post-employment benefits

These amounts are the superannuation payment made during the year.

Note 28

Remuneration of auditors

28

During the financial year, the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the Company, and unrelated firms:

	Consolidated	
	2022 $	2021 $
Audit services - BDO Audit (WA) Pty Ltd		
Audit or review of the financial statements	97,850	74,777
Other services - BDO Corporate Finance (WA) Pty Ltd		
Independent limited assurance report	-	13,596
	97,850	**88,373**

Note 29

Related party transactions

29

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	
		2022 %	2021 %
Pentanet.GG Pty Ltd	Perth, Australia	100	100
Pentatech Pty Ltd	Perth, Australia	100	100
Pentacomm Pty Ltd	Perth, Australia	100	100

Key management personnel

Disclosures relating to key management personnel are set out in Note 26 and the remuneration report included in the directors' report.

Directors are listed in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2022 $	2021 $
Transactions		
DFK Gooding Partners	28,403	69,106
The Cornish Property Trust	99,450	74,778
Current payables		
Trade payables to other related party	2,675	55,129

Pentanet Ltd spent $28,403 with DFK Gooding Partners during the year on commercial terms and market rates, which is a director related entity (Dalton Gooding), with a $2,675 balance relating to this fee outstanding as at 30 June 2022.

Pentanet Ltd spent $99,450 with The Cornish Property Trust during the 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 30 June 2022.

Loans to/from related parties

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

Terms and conditions

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

Note 30

Parent entity information

30

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022 $'000	2021 $'000
Loss after income tax	(7,603)	(13,325)
Total comprehensive loss	(7,603)	(13,325)

Statement of financial position

	Parent	
	2022 $'000	2021 $'000
Total current assets	14,873	33,357
Total assets	45,857	53,864
Total current liabilities	7,401	3,769
Total liabilities	12,517	11,824
Equity		
Issued capital	57,348	57,214
Share-based payments reserve	5,568	5,568
Accumulated losses	(29,576)	(20,742)
Total equity	**33,340**	**42,040**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity;
- investments in associates are accounted for at cost, less any impairment, in the parent entity;
- dividends received from subsidiaries are recognised as other income by the parent entity, and its receipt may be an indicator of an impairment of the investment.

Note 31
Events after the reporting period

The Company entered into a Master Access Agreeement with Axicom Pty Ltd on 14 July 2022, in support of the planned netowrok expansion. Under the terms of the new Master Access Agreement, the license terms of all existing site licenses have been extended for a period of 10 years from the Master Access Agreement Commencement Date 1 July 2022with an option to extend for a further 5 years. Site licenses have been recognised by Pentanet as leases under AASB 16. The right-of-use assets and corresponding liabilities reflect the enforcable period under the existing agreement. The signing of the Master Access Agreement will give rise to an additional $4.7m of lease liabilities and right-of-use assets.

No others matters or circumstances have arisen since 30 June 2022 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 32
Contingent assets

There are no Contingent Assets as at 30 June 2022.

Note 33
Contingent liabilities

Pentanet has guarantee facilities of $591,869 (30 June 2021: $187,823) available for utilisation.

There are no other Contingent Liabilities as at 30 June 2022.

Note 34
Commitments

The Company is a party to the NVIDIA GeForce NOW Alliance Partner Agreement (NVIDIA Agreement) with NVIDIA dated 25 November 2020 (and amended on 8 December 2020). GeForce NOW (GFN) is NVIDIA's gaming PC in the cloud service (GFN Service) that streams a user's game library to the user's devices from the Company's data centres. The NVIDIA Agreement covers Australia (Territory).

Pursuant to the terms of the NVIDIA Agreement, the Company has the right to purchase up to 72 GFN Game Servers from NVIDIA (or its approved third party vendors) in a staggered approach. 36 GFN Game Servers make up a GFN Pod. The NVIDIA Agreement does not restrict the Company from purchasing more than two GFN Pods from NVIDIA over the course of its term. The Company completed the purchase of 36 GFN Game Servers in FY22.

The Company will pay NVIDIA a percentage revenue share (in USD).

The NVIDIA Agreement is for an initial term of 3 years, and unless one party notifies the other at least 1 month prior to the end of this initial term or any renewal period in force of its intent for the NVIDIA Agreement to expire at the end of the current term, will automatically renew for further 1 year periods, indefinitely. The NVIDIA Agreement can be terminated by either party for the other's (uncertifiable or notified but unrectified) material breach.

The NVIDIA Agreement otherwise contains terms and conditions that are considered standard for agreements of this nature.

Note 35

Earnings per share

35

	Parent	
	2022 $'000	2021 $'000
Loss after income tax attributable to the owners of Pentanet Ltd	(7,925)	(13,697)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	295,396,469	198,447,409
Adjusted for calculation of diluted loss per share:		
Options over ordinary shares	29,584,000	18,441,507
Weighted average number of ordinary shares used in calculating diluted earnings per share	324,980,469	216,888,916

	Cents	Cents
Basic (loss) per share attributable to owners of Pentanet group	(0.03)	(0.07)

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 the 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:

2022							
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	28/02/2022	0.130	1,000,000	-	(1,000,000)	-	-
27/11/2020	30/06/2024	0.300	9,870,000	-	(13,000)	-	9,857,000
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
Balance as at 30 June 2022			**30,610,000**		**(1,013,000)**	**-**	**29,597,000**

The weighted average options exercise price of all unexercised options on issue at the end of 30 June 2022 was $0.39

There were no options issued during in the year ended 30 June 2022.

2021							
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	28/02/2022	0.130	3,555,000	-	(2,555,000)	-	1,000,000
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)	-	-
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
Balance as at 30 June 2021			**22,080,000**	**29,610,000**	**(14,125,000)**	**(6,955,000)**	**30,610,000**

The weighted average options exercise price of all unexercised options on issue at the end of 30 June 2021 was $0.226

14,125,000 options were exercised, and 6,955,000 were cancelled during the year ending 30 June 2021

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3 years

For the options granted during the financial year ended 30 June 2021, 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	
	2022 $'000	2021 $'000
Share-based payment expense reconciliation		
Issue of share options to directors and employees under incentive option scheme	-	4,500

Director's Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

DAVID BUCKINGHAM
Non-Executive Chairman
18 August 2022
Perth

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the members of Pentanet Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pentanet Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

BDO

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 4 of the financial report and Note 1 of the financial report for the accounting policy. Revenue recognition was determined to be a key audit matter due to the significance of revenue to the financial report and involved judgements and estimates made by management including whether contracts contain multiple performance obligations which should be accounted for separately and determine the most appropriate methods of recognition of revenue for the identified performance obligations. This comprises allocation of consideration to the individual performance obligations based on standalone pricing and whether the performance obligation is satisfied at a point in time or overtime.	Our procedures included, but were not limited to, the following: • Assessing the Group's accounting policy for revenue to ensure it has been correctly formulated in accordance with the Australian Accounting Standards; • Understanding and documenting the processes and controls used by the Group in recording revenue; • Checking a sample of revenue transactions to evaluate whether they were appropriately recorded as revenue ensuring the amounts recorded agreed to supporting evidence; • Performing cut-off procedures to ensure that revenue was captured in the appropriate financial year; and • Assessing the adequacy of the related disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 38 to 47 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Pentanet Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 18 August 2022

Shareholder Information

Additional ASX information

The following additional information is required by the Australian Securities Exchange. The information is current as at 31 July 2022.

Shareholding information

The following information relates to fully paid ordinary shares in the Company. The Company has 295,810,713 fully paid ordinary shares on issue.

Shareholding distribution (includes escrowed securities)

Holding Ranges	Holders	Total Shares	% Issued Share Capital
above 0 up to and including 1,000	671	505,762	0.17%
above 1,000 up to and including 5,000	1,720	4,509,809	1.52%
above 5,000 up to and including 10,000	1,003	7,912,664	2.67%
above 10,000 up to and including 100,000	1,184	38,917,824	13.16%
above 100,000	252	243,964,654	82.47%
Totals	**4,830**	**295,810,713**	**100.00%**

The number of holders holding less than a marketable parcel is 869 with a total of 738,455 fully paid ordinary shares amounting to 0.25% of issued share capital.

Twenty largest shareholders (including escrowed securities)

Position	Holder	Shares	% Issued Capital
1	STEPHEN CORNISH	43,205,000	14.61%
2	ZERO NOMINEES PTY LTD	29,542,059	9.99%
3	UBS NOMINEES PTY LTD	9,059,789	3.06%
4	PETER & SUSAN CORNISH <CORNISH SUPER FUND>	8,216,410	2.78%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,047,052	2.38%
6	TIMOTHY CORNISH	6,218,000	2.10%
7	PRM PROPERTY HOLDINGS PTY LTD	5,512,821	1.86%
8	HILLBOI NOMINEES PTY LTD	4,819,187	1.63%
9	BNP PARIBAS NOMINEES PTY LTD	4,337,876	1.47%
10	MR PETER JOHN CORNISH <THE CORNISH FAMILY A/C>	4,135,267	1.40%
11	NATIONAL NOMINEES LIMITED	4,006,500	1.35%
12	SHARON LEONIE WHITE	4,000,000	1.35%
13	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,895,436	1.32%
14	MR PETER JOHN CORNISH <THE CORNISH FAMILY A/C>	3,117,870	1.05%
15	SPAR NOMINEES PTY LTD	3,000,000	1.01%
16	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	2,674,173	0.90%
17	ICE COLD INVESTMENTS PTY LTD	2,550,000	0.86%
18	ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C>	2,500,000	0.85%
19	BOND STREET CUSTODIANS LIMITED	2,205,129	0.75%
20	TIMIGEV NOMINEES PTY LTD <THE PAYNE SUPER FUND A/C>	2,205,128	0.75%
	Total Top Twenty Shareholders	**152,247,697**	**51.47%**
	Total Issued Capital	**295,810,713**	**100%**

Substantial shareholders

Shareholder	Number	% of Issued Share Capital	Date of Notice
PENTANET LIMITED	75,770,702	25.61%	31 May 2022
STEPHEN CORNISH	50,458,137	17.06%	31 May 2022
PETER & SUSAN CORNISH	18,269,547	6.18%	29 January 2021

Unquoted restriced fully paid ordinary shares

Class	Number of holders	Number	Restriction expiry
ESCROWED SHARES 24M FROM QUOTATION	28	80,620,702	29 January 2023

Unquoted option holding information

The following relates to options over fully paid ordinary shares in the Company. Options are exercisable at different amounts and have various expiry dates. The Company has 29,597,000 options on issue.

Unquoted option holding distribution

Holding Ranges	Holders	Total Shares	% Issued Share Capital
Above 0 up to and including 1,000	-	-	-
Above 1,000 up to and including 5,000	-	-	-
Above 5,000 up to and including 10,000	-	-	-
Above 10,000 up to and including 100,000	40	1,547,000	5.23%
Above 100,000	11	28,050,000	94.77%
Totals	**51**	**29,597,000**	**100.00%**

Unquoted options over fully paid ordinary shares

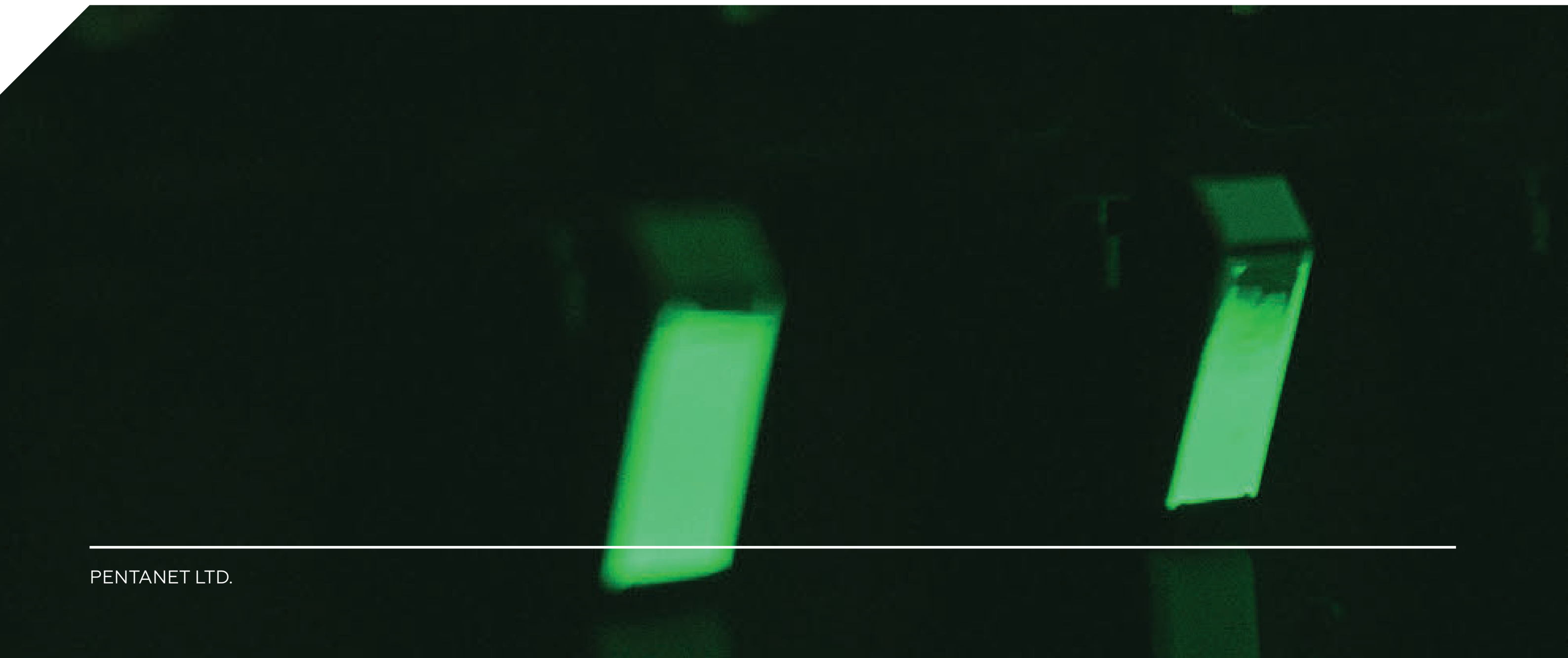
Class	Number of holders	Number
Unlisted Options – exercisable at 30 cents each on or before 30/06/2024	45	1,957,000
Unlisted Options – exercisable at 37 cents each on or before 30/06/2024	45	1,970,000
Unlisted Options – exercisable at 50 cents each on or before 30/06/2024	45	1,970,000
Total		**5,897,000**

Unquoted restricted options over fully paid ordinary shares

Class	Number of holders	Number	Restriction expiry
Unlisted Options – exercisable at 30 cents each on or before 30/06/2024	5	7,900,000	29-Jan-23
Unlisted Options – exercisable at 37 cents each on or before 30/06/2024	5	7,900,000	29-Jan-23
Unlisted Options – exercisable at 50 cents each on or before 30/06/2024	5	7,900,000	29-Jan-23
Totals		**23,700,000**	

Holders of 20% or more, except for those acquired under an employee incentive scheme:

- Stephen Cornish (9,900,000 options)
- Timothy Cornish (6,600,000 options)



Voting rights

The voting rights attaching to each class of equity securities are set out below:

(i) Fully paid ordinary shares
Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(ii) Options over fully paid ordinary shares
No voting rights.

Corporate governance

The Company and its Board of directors are committed to achieving and demonstrating the highest standards of corporate governance. The Board is responsible to its shareholders for the performance of the Company and seeks to communicate extensively with shareholders. The Board believes that sound corporate governance practices will assist in the creation of shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its corporate governance policies and its compliance with them on its website, rather than in this Annual Report. Accordingly, information about the Company's corporate governance practices is set out on the Company's website at **www.pentanet.com.au/investor-centre/** under the "Corporate Governance" tab.

Application of funds

During the financial year, in accordance with ASX Listing Rule 4.10.19, the Company confirms that it has used its cash and assets (in a form readily convertible to cash) in a manner which is consistent with the Company's business objectives, as outlined in the prospectus dated 11 December 2020.

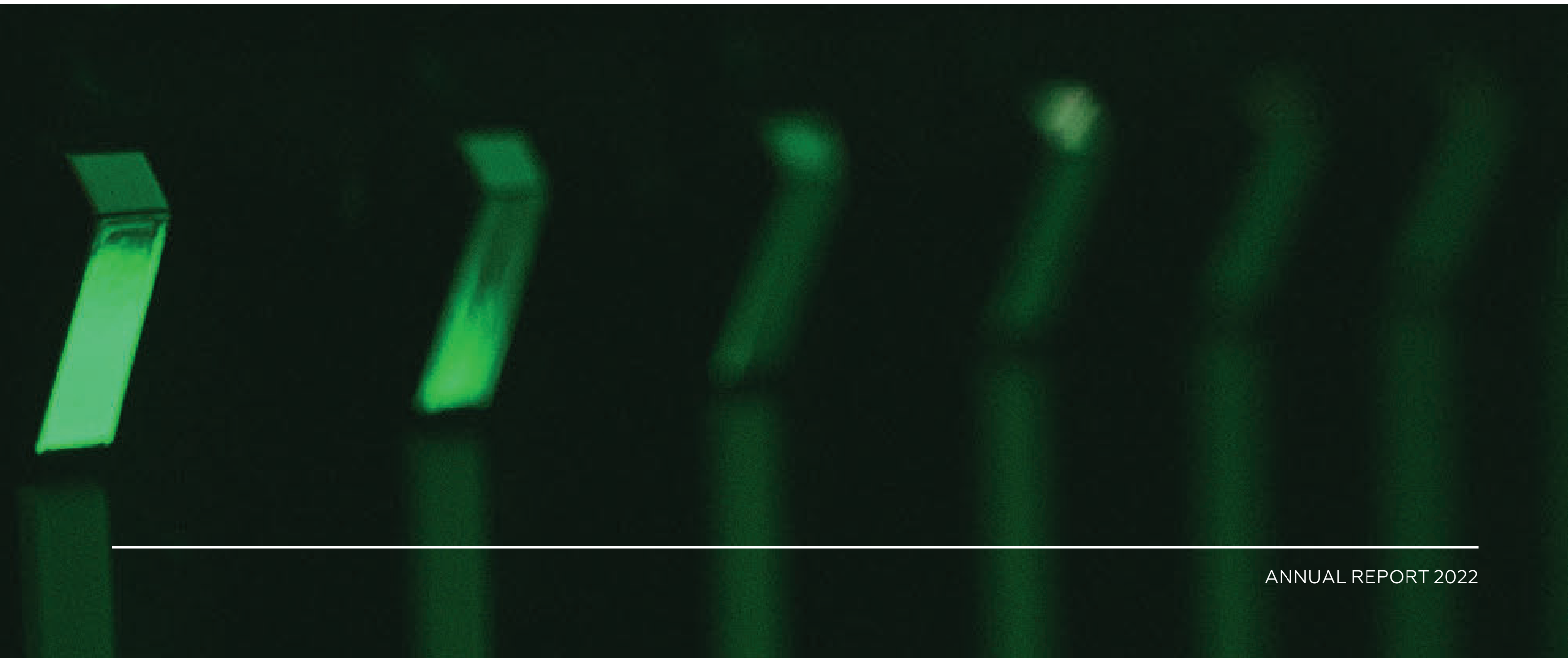
Other

There is no current on-market buy-back.

There are no securities approved for the purposes of item 7 section 611 of the Corporations Act which have not yet completed.

No securities were purchased on-market for the purposes of an employee incentive scheme during the reporting period.

Other than the Australian Securities Exchange, the Company is not listed on any other stock exchange.



PENTANET

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