# 2023 ANNUAL REPORT

Pentanet Limited
ASX: 5GG

PENTANET

"While Pentanet's growth presented challenges in FY23, it also brought us exciting new opportunities to explore. We remain advocates for next-generation technologies that lead the way for Australia's digital future, and we're committed to driving advancement in gaming and high-performance connectivity to influence this emerging sector.

**STEPHEN CORNISH**
Managing Director

# Chairman and Managing Director's Address

**Welcome to the Pentanet Annual Report for the Financial Year ended 30 June 2023. The 2023 financial year proved to be a mixed performance year for the Company with key product and financial achievements offset by subdued subscriber growth.**

Technical scaling challenges with the Company's world-first neXus Terragraph mesh solution created delays to the provision of extra network capacity required to allow new customers to sign up and experience Pentanet's superfast broadband services and outstanding customer service.

Despite the lower subscriber growth, the Company achieved 17% YoY growth in revenues, 15% YoY growth in gross margin and a significant 29% YoY improvement in EBITDA for the financial year.

With a strong focus on improving profitability through a wide array of initiatives, the Company's management team also achieved the significant milestone of positive EBITDA 'run-rates' in both of Pentanet's key operating segments at the end of FY23.

With access to 5G spectrum, Pentanet is also addressing its capacity restraints for new customer growth by rolling out new 5G infrastructure to wireless towers in high customer demand areas, where capacity for traditional fixed wireless services has been unavailable. Four towers have been successfully connected for 5G services as at the date of this report, with more in the pipeline for FY24.

These critical achievements combined with the additional funding headroom provided by the Company's $6.4m capital raise in April 2023, position the Company well for subscriber and operating profit growth in FY24.

In our Telecommunications segment subscribers continue to embrace our innovative next-generation wireless connections, with low on-net churn of ~1% showcasing on-net customer satisfaction.

Demand for our on-net services continues to grow, and we remain focused on the strategic expansion of coverage and capacity to deliver higher speed tiers at attractive price points. Our goal is to deliver this growth sustainably, maintaining our commitment to high-performance for existing subscribers whilst attracting prospective subscribers through targeted marketing activity.

The upcoming commercial launch of our 5G service is poised to bring significant operational and financial growth to the Company. By leveraging our acquired 5G licensed spectrum, we plan to introduce a refreshed product suite to extract more value from our existing semi-fixed cost infrastructure while also improving gross margin performance. Our collaboration with Cambium Networks Ltd will enable the cost-effective rollout of 5G technologies through a Network-as-a-Service (NaaS) agreement, ensuring a balance network CAPEX expense profile over four years with flexible deployment and no upfront capital expenditure.

The combination of Pentanet's world-first neXus mesh deployment and new 5G infrastructure provides a robust on-net network architecture, with both technologies playing vital roles in our long-term growth strategy. Our commitment to expanding on-net network technologies will allow us to meet the growing demand for faster connectivity for homes and businesses in Western Australia.

In the cloud gaming sector, our exclusive Alliance Agreement with NVIDIA for GeForce NOW continues to see growth, with strategic partnerships opening new membership opportunities across a broader demographic of gamers. With our cloud gaming sector reaching EBITDA breakeven in June 2023 whilst maintaining significant capacity for user growth, we remain confident in GeForce NOW's growth potential.

Our wholesale agreement with Optus Mobile Pty Limited (Optus) will see the integration of GeForce NOW into the Optus SubHub subscription management platform, enabling access for Optus' customers in Australia. This agreement marks a significant milestone for the Company, as we deepen our commercial opportunities into wholesale digital distribution.

FY24 will also see the addition of popular Xbox PC games to the GeForce NOW library, already boasting over 1500+ supported titles. The 10-year strategic partnership between Microsoft and NVIDIA will welcome a blockbuster line-up of games from the Xbox PC Game Pass catalogue. Combined with the deployment of NVIDIA's next-generation Gen 3 RTX 3080 SuperPODs to support 4K gaming from the cloud, Pentanet is well-positioned to capitalise on the burgeoning cloud gaming industry in Australia.

To close, we wish to express our heartfelt gratitude for the people who have been present for our challenges and success. Our passionate and dedicated staff, guided by our strong leadership team, have been the driving force behind our success. We also extend our thanks to our Board of Directors and the continued support of our shareholders. Your contributions have been invaluable in shaping our growth story, and we eagerly anticipate reaching new heights together on this exciting journey in FY24 and beyond.

Looking to the future, we are excited by the opportunities that lie before us. As we continue our passion for providing next-level experiences to all our subscribers, we are confident in Pentanet's ability to unlock new frontiers and deliver value to all stakeholders.

**David Buckingham**
**Non Executive Chairman**
30 August 2023

**Stephen Cornish**
**Managing Director**
30 August 2023

# People and Culture

Our people are at the core of Pentanet's success to date. We've built a dedicated and imaginative team that strives to pioneer new frontiers in the Australian telecommunications and cloud gaming industries every single day.

As we continue to grow, our fundamental principle remains unchanged: delivering next-level service is inherent in everything we do. Our strong values underpin our Company culture, and it comes as no surprise that our people, affectionately known as the 'PentaFam,' are a vital pillar of our Company ethos.

In a year marked by changes to our internal team structure and a highly competitive job market, Pentanet remains steadfast in our commitment to support our team members. Embracing a full Hybrid work model, we empowered our staff with the autonomy to choose where they wanted to work while still adhering to role-specific requirements.

**Empowerment and Engagement**

As we continue to grow, we remain dedicated to fostering a positive and fulfilling work atmosphere for all our team members.

We understand the value of receiving and acting on feedback from our fortnightly anonymous Happiness survey and an impressive Employee Happiness survey exit rate of 93% (81%:FY22) is testament to our commitment to maintaining a dynamic, inclusive, and supportive workplace environment.

As part of our vibrant company culture, we have an active social calendar and plenty of PentaPerks for our team to enjoy at their leisure. We take great pride in offering a comprehensive range of ongoing wellbeing initiatives on top of our standard Employee Assistance Program and mental health first aid training. Some of the most welcomed perks include; discounted gym memberships, fresh fruit and cereal at all office locations, tickets to sporting and cultural events, discounted internet services, and above-award parental leave at full rate.

**The Shift to Hybrid**

The move to a Hybrid work model has also opened the door for a new approach to virtual communications. Our internal Last Week Tonight content series provides interdepartmental visibility to celebrate wins and share challenges. We provide high-level insights into our business strategy, milestones, and significant project updates, as well as celebrating team wins, anniversaries and more.

In line with our Company value of 'Be the Supercar', we encourage and drive education within the business. Our ongoing learning approach gives employees the opportunity to improve their knowledge within their own department and across the business, empowering them to make the right decisions for personal, team and Company success. This includes dedicated tours of our tower and data centre infrastructure, mentoring sessions with seasoned team members, and formalised knowledge sharing between departments.

**Happiness Survey exit rate:**

**93%**

up from

**81%**

in 2022

**PentaPerks include:**

- Discounted gym memberships
- Fresh fruit and cereal at all offices
- Tickets to sporting and cultural events
- Above-award parental leave
- Discounted internet services

## Community Connections

During the year, we proudly introduced the Pentahouse, our vibrant retail experience centre located in the heart of Perth's city centre. Through the Pentahouse we have been able to foster a strong connection with our subscribers across Perth, inviting them to visit us in person to plan their new home or business internet connection, seek assistance with optimising their internal setup, or just enjoy a coffee overlooking Central Park. The inclusion of a GeForce NOW Powered by Pentanet gaming space has also attracted positive attention for visitors to the Perth CBD.

Our connection to community also remains strong, as evidenced by our partnership with the West Perth Falcons football club headquartered at Pentanet Stadium. Our naming rights for this venue has seen us activate the partnership with events like Kids Cyber Week Powered by Pentanet and the GeForce NOW Gaming Hub on WAFL game days.  We remain committed to delivering positive experiences in the fields of technology, gaming and esport, to engage our next-generation of superstar talent.



# 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 the core of Pentanet's mission is the fusion of people, the spark of innovation, and the drive to push digital progress for Australia and beyond. Our boldness pushes us to introduce next-generation technologies that have a positive impact beyond screens. In this rapidly changing world, we match every step with agility, speed, and unwavering expertise.**

As society increasingly relies on the internet for diverse connections, and as we firmly differentiate ourselves from other Australian telcos, our prospects remain bright across telecommunications and gaming. We're not just gamers and internet enthusiasts – we're also stakeholders deeply committed to delivering outstanding experiences both on and offline, with strong network performance translating to positive returns for our valued shareholders.

Strategically, we remain committed to our goals: attract and retain subscribers to grow our engaged community while seamlessly integrating cutting-edge technology into our wireless network, creating unmatched customer experiences.

> **"Pentanet is more than a telecommunications company. We enhance connection, innovation, education, and entertainment through cutting-edge technology we're fiercely passionate about.**
>
> **We bring people together digitally and IRL to share unforgettable experiences and memorable moments - next level service is just a given.**

# Key Milestones for the Year

**JUL 2022**
- Pentanet renews site license agreements with Indara (Axicom)
- neXus wins 2022 INCITE Award for 'Transformative Solutions'

**SEP 2022**
- Pentanet launches new membership plans for GeForce NOW

**NOV 2022**
- Pentanet announces GeForce NOW 3080 tiers SuperPODs to be deployed in Australia in 2023
- New Fixed Wireless Tower Commissioning - Yanchep

**DEC 2022**
- QoQ EBITDA Losses decreased by 20%
- Pentanet wins 'Wildfire' and 'Hammer' categories at 2022 Pause Awards

**JAN 2023**
- 5G Tower 1 online

**FEB 2023**
- New Fixed Wireless Tower Commissioning – Byford
- Microsoft and NVIDIA sign 10 year deal to being Xbox PC Games to GeForce NOW

**MAR 2023**
- Signing of a Collaboration Agreement with Optus to deliver the NVIDIA GeForce NOW cloud gaming via SubHub
- QoQ EBITDA losses decreased by 45%
- Signing of Memorandum of Understanding with Cambium Networks to deploy 5G network infrastructure under a Network-as-a-Service (NaaS) agreement
- 5G Tower 2 online

**APR 2023**
- Pentanet raises $6.1 million of share capital for 5G network expansion

**MAY 2023**
- 5G Tower 3 online

**JUN 2023**
- 5G Tower 4 & 5 online
- Pentanet exits FY23 with both Telecommunications and Cloud Gaming reaching EBITDA breakeven

# Operational Advancements and Future Growth Outlook

The Company's ongoing experience reflects a rising demand for dependable, top-tier, and scalable internet services – a driving force behind the expansion of Pentanet's on-net capacity to effectively serve the growing needs of Australia's digital community. Additionally, the Company has observed the consistent momentum of GeForce NOW, with its reach extending to an active audience of almost 400,000 registered CloudGG accounts.

FY23 was marked by an intense period of expansion and heightened operational demands for the Company's network, resulting in a more mature and stabilised network infrastructure. Significant strides were made in the development and productisation of new offerings anchored on the cutting-edge 5G-SA and Terragraph access technologies and the expansion of membership plans for GeForce NOW.

To meet the increasing demand for premium on-net internet services, the Company continued upgrading tower infrastructure with existing and new technologies. The results of the 5G Fixed Wireless field testing have been particularly positive, proving its viability and potential for the Company's future coverage expansion plans. Pentanet neXus continues to progress in a measured and controlled manner, with the Company adopting a revised approach to ensure a more resilient network built with efficient redundancy.

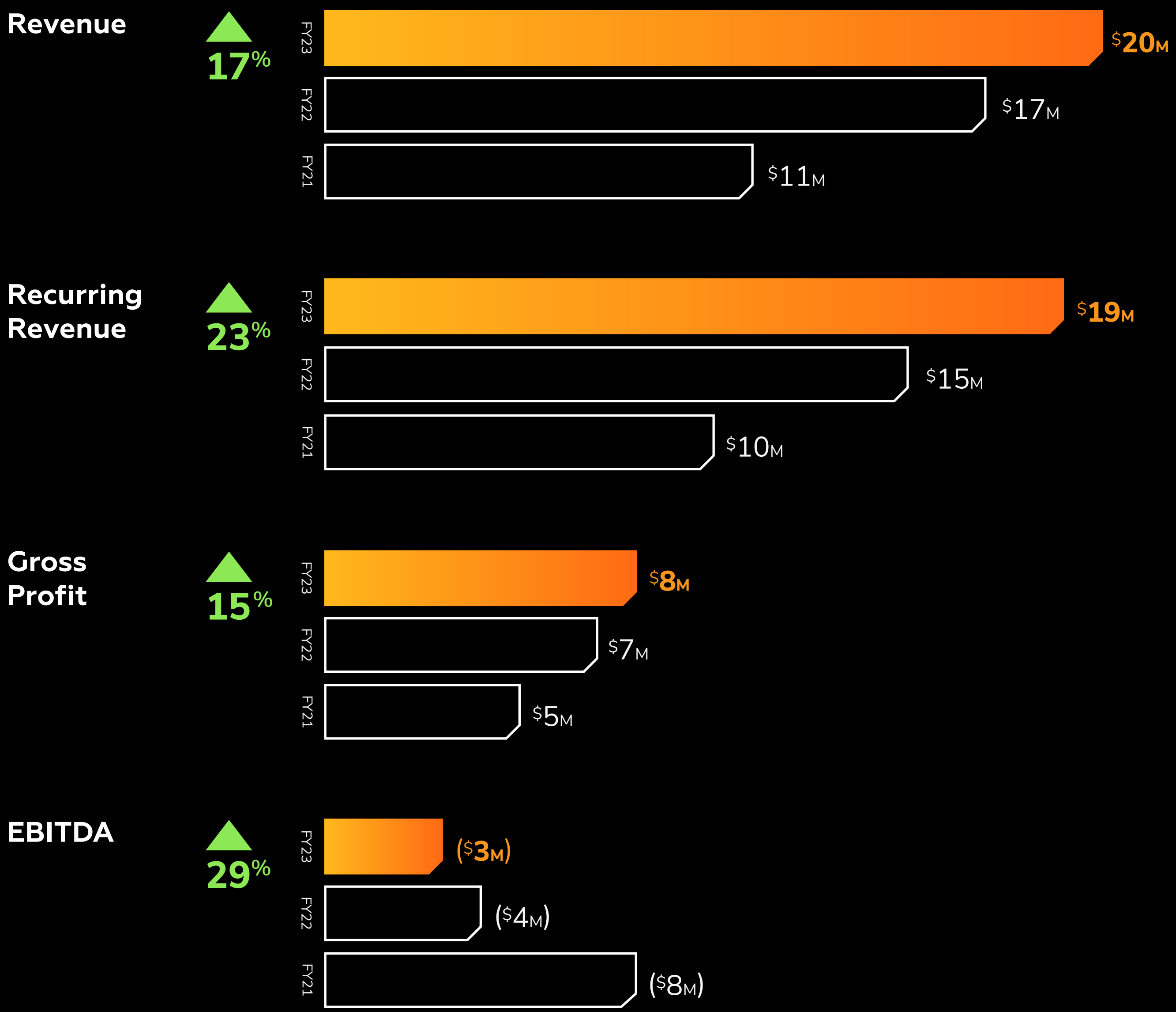
The Company undertook the task of consolidating backhaul commitments which helped strengthen the telecommunications margin, which saw a 4% increase to 47% YoY.

In addition, the Company has delivered on commitments to continuously improve subscriber experience. Initiatives like automated broadband service provisioning coupled with the migration to an in-house service management and billing platform have been setting the foundation for scale as growth continues.

The Collaboration Agreement between Optus and Pentanet marked a significant milestone towards the Company's goal of commercialising GeForce NOW with the introduction of Pentanet's first large-scale wholesale partner. Through this Agreement, GeForce NOW will be integrated into the Optus SubHub subscription management platform, enabling access for Optus' customers in Australia, with the potential to accelerate growth for both partners. To facilitate the wholesale supply agreement, integration work between CloudGG, Optus and SubHub has been diligently executed on schedule.

**Pentanet is now poised for a dynamic and promising FY24, driven by innovation, resilience, and a steadfast commitment to delivering exceptional experiences across its telecommunications and gaming sectors.**

# Financial Performance




## Key Milestones

Successful execution of strategic initiatives completed to improve profitability

**EBITDA Breakeven**
exit run rate in June 2023

**$6.4m**
of sucessful share placements completed in Q4FY23

**$7.4m**
closing cash balance

# Results Overview

| Profit & Loss | FY23 | FY22 | |
|---|---|---|---|
| | $'000 | $'000 | % change |
| **Revenue** | 19,733 | 16,829 | 17% |
| **Gross profit** | 8,469 | 7,368 | 15% |
| **Gross margin**[1] | 43% | 44% | (2%) |
| **Other income** | 1,223 | 300 | 307% |
| **Operating expenses** | (12,806) | (12,066) | (6%) |
| **EBITDA** | (3,114) | (4,397) | 29% |
| **Depreciation and amortisation** | (4,088) | (3,381) | (21%) |
| **EBIT** | (7,202) | (7,778) | 7% |
| **Net finance cost** | (367) | (146) | (151%) |
| **Net loss before tax** | (7,569) | (7,925) | 4% |

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.

Revenue increased by 17% YoY to $19.7 million. A 43% YoY increase in gaming segment revenue to $1 million, attributed to a growing number of paid GeForce NOW subscribers, was also achieved. Telecommunications revenue increased by 16% YoY to $18.7 million, with the off-net services price increase driving a 25% YoY increase in off-net recurring revenue. Additionally, Pentanet's deliberate efforts to migrate off-net subscribers to on-net services and neXus services coming online resulted in a 10% YoY increase in on-net subscription revenue.

Other income saw a substantial 307% increase, primarily driven by a cash rebate of $670k from the Australian Tax Office through the Research and Development Tax Incentive scheme and highlights Pentanet's continuous commitment to bringing next-level internet services to Western Australia.

Consolidated gross profit increased by 15% YoY, reaching $8.5 million and reflecting a gross margin of 43%. In the Telecommunications sector, the gross margin saw a strong uplift of 4.4% YoY to 47%. A combination of factors drove this improvement; successful contract renegotiations leading to a cost of sales reduction, an uptick in higher-margin on-net customers from recent activations of neXus services, and price increases of off-net services. These results underscore the effectiveness of the Company's strategic initiatives aimed at improving profitability. Early-stage investment of approximately $1.0m in the Company's gaming services offset the improved Telecommunications segment profitability. Despite this investment, cloud gaming services also reached EBITDA breakeven for Q4 FY23 through increased revenues and other recurring cost-saving initiatives.

Overheads increased 6% YoY, primarily due to team expansion in H1FY23 and other associated costs. Conversely, advertising and marketing expenses decreased by 21% YoY, largely influenced by the costs incurred at the end of the previous financial year for the neXus and GeForce NOW launch campaigns.

EBITDA loss decreased by 29% to $3.1 million due to the successful execution of strategic initiatives aimed at improving profitability and increasing revenue growth while prudently managing underlying overheads.

In Q4FY23, Pentanet completed a successful share placement of $6.4 million which will enable the upgrading of existing tower sites with 5G infrastructure, ultimately contributing to the growth and expansion of on-net services.

Pentanet persistently advocates for next-generation technologies that pave the path for Australia's digital future and FY23 underscores the dedication to realising its strategic vision while navigating distruptive technology challenges. The Company stands confident in the continuation of its transformative journey, delivering excellence in connectivity and entertainment solutions to valued subscribers in the Australian telecommunications and cloud gaming industries.

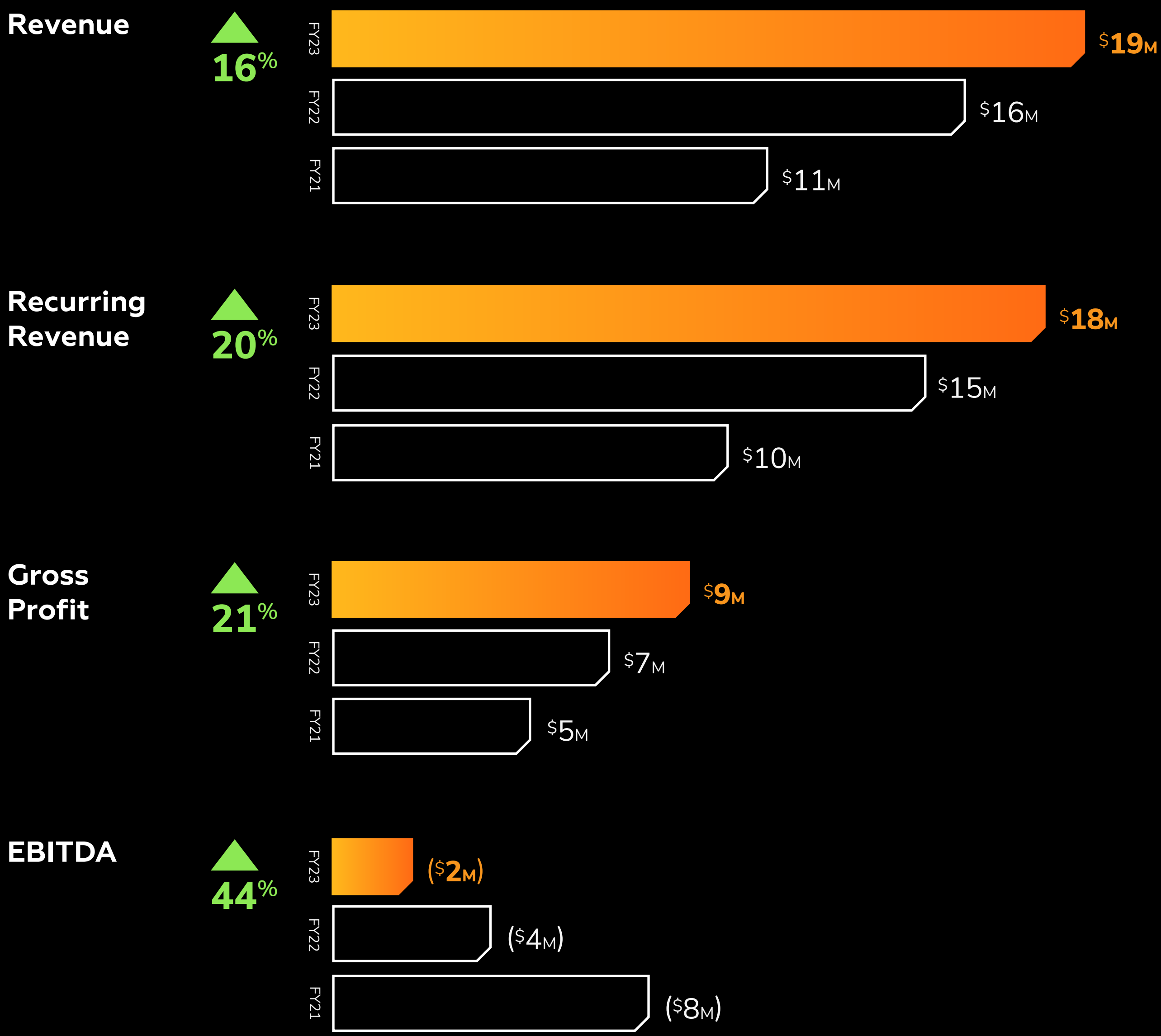
Revenue 17% YoY

Gaming segment revenue 43% YoY

Telecomms revenue 16% YoY

Gross profit 15% YoY

# Telecommunications Segment




## Key Milestones

**50+ towers** across Perth with more underway

On-net network capacity expansion on track with four 5G tower upgrades completed

**$6.4m** towards telecommunications infrastructure and 5G spectrum

**$5.9m** Cambium NaaS MoU to fund 5G expansion

# Telecommunications Segment

| Key Metrics | FY23 | FY22 | % change |
|---|---|---|---|
| **Recurring Revenue %** | 95% | 92% | 3% |
| **Blended ARPU** | $91 | $90 | 1% |
| | | | |
| **On-net ARPU** | $89 | $87 | 2% |
| **Off-net ARPU** | $79 | $73 | 8% |
| | | | |
| **Subscribers** | 17.1K | 16.7K | 2% |
| On-net | 39% | 39% | |
| Off-net* | 61% | 61% | |
| | | | |
| **Churn** | 1.3% | | |
| On-net churn | 1.0% | | |
| Off-net churn | 1.50% | | |

*Excludes fibre services

| Telecommunications Segment | FY23 | FY22 | % change |
|---|---|---|---|
| | $'000 | $'000 | |
| **Recurring revenue %** | 17,718 | 14,751 | 20% |
| **Non-recurring revenue** | 984 | 1,356 | (27%) |
| **Total revenue** | 18,701 | 16,107 | 16% |
| | | | |
| **Cost of sales** | (9,931) | (8,844) | 12% |
| | | | |
| **Gross profit**[1] | 8,770 | 7,263 | 21% |
| **Gross margin** | 47% | 45% | 4% |
| | | | |
| **EBITDA**[2] | (2,053) | (3,646) | (44%) |
| **Subscribers** | 17.1K | 16.7K | 2% |

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.

# Telecomunications Update

Pentanet has established itself as one of the market-leading challenger brands marked by its commitment to bringing Perth's internet up to speed. The Company's private wireless network footprint of over 50 telecommunications towers across Perth facilitates seamless high-speed connectivity for subscribers, setting new benchmarks in performance. Brand pillars of speed, high performance, impactful innovation, and next-generation technology have become the cornerstones of the Company's identity continuing to pave the way for WA's digital future. In FY23, Pentanet maintained strong customer satisfaction results across internal and external feedback metrics.

During FY23, the Company showed operational resilience when faced with network capacity constraints and hardware challenges for its new wireless mesh network, requiring a strategic pivot to minimise operational impact while working towards a solution. Despite softer subscriber growth, the Company increased recurring revenue by 20% YoY to $17.7 million, mainly attributed to off-net service price increases which increased off-net recurring revenue by 25% YoY. A 10% YoY increase in on-net subscription revenue was attributed to neXus services coming online and concerted efforts to convert off-net subscribers to on-net as new capacity and coverage became available.

The Company's churn rate for FY23 was 1.31% (0.95%:FY22), with a breakdown between on-net churn at 1.0% and off-net churn at 1.5%. The main reason contributing to this churn was the relocation of subscribers outside of serviceable areas.

Gross profit increased by 21% YoY reaching $8.8 million, with a 4% increase in gross margin to 47%. A combination of factors drove this improvement; successful contract renegotiations leading to a cost of sales reduction, an uptick in higher-margin on-net customers from recent activations of neXus services, and price increases of off-net services. These results underscore the effectiveness of the Company's strategic initiatives aimed at improving profitability.

Key metrics across the telecommunications segment reflected a positive year-on-year trend.

- Recurring revenue makes up 95% of total revenue, up by 4% YoY. High-margin on-net subscribers now comprise 39% of the total subscriber base.
- Average Recurring Revenue Per User (ARRPU) for on-net services increased by 2% YoY to $89, ARRPU on off-net services improved by 8% YoY to $79 as well as a 2% improvement in blended ARPU, to $91.
- An increase in off-net churn more than offset by a 67% profitability improvement following the price increase in October 2022.
- Off-net margins improved by 63% YoY, and the on-net margin remained strong at 87%, highlighting the benefits of the on-net service offering and the potential for future margin expansion as the Company's coverage and on-net subscriber numbers increase.

## 5G Fixed Wireless

In FY23, the Company initiated the rollout of its 5G network, utilising the licensed 5G 26GHz mm Wave Spectrum. The installation of 5G infrastructure is expected to deliver new on-net coverage to nearly 25,000 premises in the Perth metropolitan area. The Company installed its fourth tower with 5G infrastructure, which is now fully operational and ready for adding on-net services.

The Company strategically selected high-demand sites across its existing tower footprint for the initial infrastructure deployment, to amplify coverage in high-demand areas and drive on-net subscriber growth into FY24 and beyond. By adding additional coverage in these high-demand areas, the Company will alleviate existing capacity constraints on the traditional fixed wireless network, which will allow the Company to extract more value from the traditional infrastructure and improve the quality of service at these sites.

The required hardware for the 5G network rollout will be financed through a $5.95 million Cambium Network-as-a-Service (NaaS) vendor financing facility spreading CAPEX for the 5G network expansion plans over future years.

The 5G service is expected to increase the Company's on-net service offering and capacity, heightening its ability to service and add more on-net users at a higher rate. The fundamentals of the on-net service offering remain strong and with the additional capacity and introduction of this new technology to the network, the Company will expand its existing product offering in an effort to meet the ever-growing demand for dependable, top-tier, and scalable internet services.


## neXus

Pentanet's neXus is a next-generation wireless mesh infrastructure designed to address the demand for higher upload and download speeds with aggressive pricing. neXus will offer unique advantages that complement Pentanet's traditional wireless network and new services, working together to expand capacity and coverage in the Perth metropolitan area.

The intelligent mesh design of neXus allows for the deployment of a high-speed wireless network at a large scale across Perth, with reduced physical constraints related to line of sight. This capability makes neXus an ideal solution for expanding coverage in specific areas where deploying traditional infrastructure might be challenging or costly.

FY23 saw the launch of neXus, with the network rollout continuing to progress in a measured and controlled manner. Using insights gathered across the beta phase and launch period, the Company has adopted a revised approach to ensure a more resilient network built with efficient redundancy, with a dedicated team now solely focused on the expansion of the neXus network. Moving into FY24, the rollout will utilise the existing 2,000 units in stock to increase coverage across the areas served by the neXus mesh network.

## Cloud Gaming

Cloud gaming has taken off in Australia, and Pentanet is one of the clear market leaders in this exciting new market opportunity. With gaming firmly planted in the Company's foundations and the Pentanet network optimised for the best possible connections to gaming servers, Pentanet successfully secured the position as exclusive regional Alliance Partner for NVIDIA GeForce NOW in Australia.

NVIDIA's premiere cloud-based game streaming service, GeForce NOW, was launched in 2021 to an eager market of gamers across Australia, with over 376,000 users streaming over 350 million minutes of gameplay from the cloud since launch. The Company is pleased to report the achievement of EBITDA breakeven in June 2023, due to increased paid subscriber growth, operating cost reaching economic scale and Optus revenue, with significant additional capacity available for paid user growth.

In 1HFY23, the Company unveiled a new suite of mid-market membership plans to suit a range of gamer behaviour and budgets. In alignment with Pentanet's gaming segment strategy, the new plans have been successful in creating awareness and capturing users in an emerging market, leading to a 20% growth in paid memberships within the first month. Subsequent subscription revenue maintained an upward trend, with YoY subscription revenue increasing by 126% to $1 million, with the focus now on refining user acquisition and transitioning free users onto paid subscriptions.

To further capitalise on the current momentum, the Company will roll out NVIDIA's cutting-edge 'Gen 3' cloud gaming infrastructure. During FY23, the Company acquired $2.2 million of Gen 3 infrastructure through its finance facility. The introduction of the GeForce NOW RTX3080 SuperPOD infrastructure will enable the launch of a new top-tier plan in FY24. This advancement will grant gamers the ability to tap into a dedicated 3080 GPU within the cloud, fostering immersive 4K gameplay experiences across a multitude of devices.

The Company's Collaboration Agreement with Optus Mobile Pty Limited (Optus) marks another significant milestone in the commercialisation of GeForce NOW, presenting accelerated growth potential for both partners. With Pentanet retaining the exclusive distribution right for GeForce NOW in Australia, this partnership sets the stage for enhanced user experiences on the Optus SubHub platform, backed by 5G capabilities and the robust CloudGG user management platform.

Microsoft and NVIDIA also announced a 10-year deal to bring Xbox PC Game Pass titles to GeForce NOW, significantly expanding the existing library which already exceeds 1500+ supported games. The integration of GeForce NOW into Samsung Gaming Hub and LG TVs, plus a partnership with Google Chromebook ensures the Company is well-positioned to take advantage of a wider audience with a broader demographic of gamers for cloud gaming, delivering the potential to grow and scale up the number of paying subscribers.

With the deployment of new Gen 3 cloud gaming infrastructure and higher-tier plans, the Optus SubHub, Samsung Gaming Hub and LG TV integrations, and the projected influx of Microsoft owned-content, Pentanet is well-positioned to take advantage of the expanding opportunities within the realm of cloud gaming.

GEFORCE NOW POWERED BY PENTANET

### Key Milestones

- **376,000+ CloudGG users and GeForce NOW Members**
- **$5m Westpac Facility to fund Gen 3 deployment**
- **Geforce NOW Gen 3 hardware acquired**
- **Wholesale cloud gaming agreement with Optus for GeForce NOW**
- **Microsoft and NVIDIA Forge Game-Changing Partnership for Cloud Gaming Expansion**
- **GeForce NOW cloud gaming launched on Samsung smart devices in Australia via gaming hub**

## 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. By delivering superior network performance and and providing a competitive service offering, we will maintain a low churn rate and turn subscribers into brand advocates.

### Expand network increasing potential market

The expansion of the existing Pentanet network, increasing available coverage through innovative wireless technology 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.

# Corporate Directory

## Directors

**David Buckingham**
Non-Executive Chairman

**Stephen Cornish**
Managing Director

**Timothy Cornish**
Executive Director

**Dalton Gooding**
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
**Unit 2/8 Corbusier Place,**
**Balcatta 6021, WA**

Principal banker
**Commonwealth Bank**
**95 William Street,**
**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 WA, 6000**

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

# Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' 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 2023.

## 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**

**Sian Whyte** (resigned 24 April 2023)

## 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.

# Operating and Financial Review

## Our Business Model and Objective

Pentanet is a Perth-based, growth-focused telco delivering high-speed internet to a growing number of subscribers by providing next-generation internet speeds. This is achieved through Pentanet's market-leading private wireless network, the largest in Perth, as well as reselling fixed-line services such as nbn™ and Opticomm.

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

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

## Review of Operations

The loss for the consolidated entity after providing for income tax amounted to $7.6 million (30 June 2022 $7.9 million).

The Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was -$3.1 million (30 June 2022 -$4.4 million).

The Company is in a solid financial position with $9.9 million in cash reserves on its balance sheet to continue building out coverage to increase capacity via network upgrades and to grow its customer base.

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.

## Material Business Risk

Material business risk that could affect the achievement of the disclosed financial performance or outcomes include:

*Competitive Environment Risk:*
Operating in a competitive landscape with nbn™, mobile, fibre, fixed wireless, and other technologies requires continuously delivering high-quality services, compelling product offerings, and a strong brand presence. Failure to maintain these aspects may result in weakened market positioning and competitiveness.

*Network Expansion Risk:*
Expanding the Pentanet wireless network is necessary to meet the increasing bandwidth demands for the Company's on-net services. Achieving this objective requires the Company to invest in next-generation wireless infrastructure to increase coverage and deliver higher bandwidth services. Delays or inefficiencies in this expansion could directly impact the Company's ability to fulfil customer demand and limit potential revenue and subscriber growth.

*Cloud Gaming Commercialisation Risk:*
Successful commercialisation of the cloud gaming opportunity involves uncertainties concerning market acceptance, technological readiness, and execution. An ineffective commercialisation approach could lead to missed revenue streams and a competitive disadvantage. Additionally, the expansion into wholesale digital distribution comes with associated risks related to market penetration and successful partnership integration.

*Capital Access Risk:*
The Company's growth strategy relies on securing adequate capital to invest in expansion plans. Limited access to capital could restrict its ability to fund essential growth initiatives, delaying growth potential and adversely impacting Pentanet's strategic objectives.

Future equity financing could dilute shareholder interests if it is at a lower market price or has restrictive covenants affecting the Company's operations and business strategy. Debt financing, if attainable, might impose restrictions on financing and operational activities. Failure to secure necessary financing could force the Company to limit operations, materially impacting its activities and challenging continued operation.

*Field Staff Safety Risk:*
Pentanet's operational staff, including employees and contractors, face multiple hazards during field operations. Failure to ensure a safe work environment can interrupt operations and expose the Company to potential legal and financial repercussions.

## Material Business Risk (continued)

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 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 budgets 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

In July 2022, Pentanet entered into a Master Access Agreement with Axicom Pty Ltd (ACN 090 873 019) ("Axicom") in support of its planned network expansion. The 10-year Master Access Agreement with Axicom Pty Ltd, commencing 1 July 2022, gave Pentanet the option to extend an additional five years and was formally executed on 15 July 2022, resulting in $4.7 million in lease liabilities and right of-use assets being recognised under AASB 16 at 1 July 2022.

In September 2022, Pentanet launched an expanded suite of membership plans for GeForce NOW cloud gaming in Australia. The three budget-friendly paid subscription tiers are available on a month-to-month basis or on a six-month basis paid upfront at a discounted price.

In October 2022, Pentanet agreed financing facilities (the Facility) with Westpac Banking Corporation for up to $5,000,000 with a five-year term available for utilisation. Interest payable under the Facility is calculated on a variable interest rate. The Facility and any drawdowns under the Facility are subject to terms and conditions that are customary for facilities of this nature. These include various customary negative undertakings to be observed by Pentanet, including a prohibition on Pentanet granting any further security over the property subject to a security agreement in favour of Westpac. As at 30 June 2023, $2,410,899 from the facility has been drawn down.

In November 2022, Pentanet confirmed discussions are continuing to further the GeForce NOW Alliance Agreement and exclusivity in Australia under new commercial terms that will allow the introduction of next-gen RTX3080 hardware and higher-tier plans. New Zealand will also be formally recognised as a Pentanet serviceable territory with a pathway to include new additional neighbouring territories in the future. Pentanet will continue investing in the next-generation cloud gaming infrastructure by purchasing the RTX 3080 SuperPODs funded by the 5-year term Westpac Banking Corporation loan facilities.

In March 2023, Pentanet entered into a Memorandum of Understanding with Cambium Networks Ltd to roll out 5G services through a Network-as-a-Service (NaaS) agreement, which gives the Company the flexibility to deploy 5G network infrastructure without upfront CAPEX costs. The 5G fixed hardware will be obtained through a fixed monthly subscription, allowing Pentanet to spread its CAPEX profile for the 5G network expansion over future years.

In March 2023, Pentanet entered into a Wholesale Collaboration Agreement with Optus Mobile Pty Limited (Optus) to bring the NVIDIA GeForce NOW cloud gaming service to Optus customers.

Pentanet remains the exclusive distributor of GeForce NOW in Australia. GeForce NOW will be integrated into the Optus SubHub subscription management platform in H1FY24 providing Optus customers in Australia access to the cloud gaming service.

On 17 April 2023, Pentanet completed a placement of 73,952,677 fully paid ordinary shares at an issue price of $0.083 per share. Funds raised will be used to upgrade existing tower sites with 5G infrastructure and pay for high band 5G spectrum in the 26GHz sold by the Australian Communication and Media Authority (ACMA).

On 31 May 2023, Pentanet completed a share purchase plan offer (SPP Offer). Under the SPP Offer, the Company issued 3,963,823 fully paid ordinary shares at an issue price of $0.083 per Share.

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

No matters or circumstances have arisen since 30 June 2023 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 outlined strategic direction, Pentanet will focus on delivering growth in recurring service revenue across its two core business segments: telecommunications and cloud gaming. The deployment of 5G infrastructure across eight towers will facilitate the introduction of 5G wireless services tailored for both residential and business services, and the implementation and subsequent launch of Gen3 GeForce NOW hardware will expand the cloud gaming offering to cater to diverse gaming preferences.

## 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

| 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
**Non-executive chairman**

David Buckingham has over thirty 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 1 November 2019
**Hiremii Ltd** – appointed 3 May 2021
**Way2VAT Ltd** – appointed 15 September 2021

Former directorships (last 3 years):
**Openlearning Ltd** – appointed 9 September 2019, resigned 23 May 2022

Ordinary shares:
**557,055**

Options over ordinary shares:
**3,000,000**

Committee Membership:
**Chairman of the Board, Chairman of the 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). 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 and fastest growing 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 complementary services including neXus, Pentanet's next generation wireless mesh network, and GeForce NOW Powered by Pentanet, though an exclusive Alliance Partnership with global tech giant NVIDIA.

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 Global Connectivity Hero of the Year 2021.

Other current directorships:
**None**

Former directorships (last 3 years):
**None**

Ordinary shares:
**50,482,233**

Options over ordinary shares:
**9,900,000**

Committee Membership:
**None**

### Timothy Cornish
**Executive director**

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:
**13,531,377**

Options over ordinary shares:
**6,600,000**

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

# Information on directors (continued)

## Dalton Gooding
**Non-executive director**

Dalton Gooding has over 40 years' 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 November 2005

Former directorships (last 3 years):
**None**

Ordinary shares:
**3,816,604**

Options over ordinary shares:
**2,400,000**

Committee Membership:
**Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee**

## Sian Whyte
**Non-executive director**
**(appointed 8 March 2022, resigned 24 April 2023)**

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 Remuneration and Nomination Committee**

## Patrick Holywell
**Company secretary**

Patrick Holywell has almost twenty 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 ten 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:
**Norfolk Metals Ltd**
appointed 8 October 2021

Former directorships (last 3 years):
**Si6 Metals Ltd**
appointed 25 November 2019, resigned 15 August 2022

**Transcendence Technologies Ltd**
appointed 20 November 2019, resigned 31 July 2023

Ordinary shares:
**821,278**

Options over ordinary shares:
**600,000**

Committee Membership:
**Company secretary of the Audit and Risk Committee and Remuneration and Nomination Committee**

'Other current directorships' quoted above are current directorships for listed entities only and exclude 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 exclude 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 2023, 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** | 11 | 11 | 1 | 1 | 2 | 2 |
| **Stephen Cornish** | 11 | 11 | - | - | 2 | 2 |
| **Timothy Cornish** | 11 | 11 | - | - | 2 | 2 |
| **Dalton Gooding** | 10 | 11 | 1 | 1 | 2 | 2 |
| **Sian Whyte[1]** | 7 | 8 | - | - | 2 | 2 |

1. Sian Whyte was appointed 8 March 2022 and resigned 24 April 2023

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 2023, 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 2023, the Company had 69 staff (which includes directors and executive management) and that number includes 12 females. The Company had six Key Management Personnel at 30 June 2023, of which one is female.

# 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 2023, 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** |
| **Sian Whyte** | Non-Executive Director | **8 March 2022<br>Resigned: 24 April 2023** |
| **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

The Board of Directors employ the services of an independent and specialist contractor remuneration advice. 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 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.

### 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 exercises 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.

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:<br>• Financial and operational key performance indicators.<br>• Progress with the delivery of the Company's business plan and strategic objectives, and<br>• 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:<br>• Achievement of financial targets such as revenue, gross profit, and operational targets such as subscriber growth.<br>• Achievement of network expansion targets to ensure capacity ahead of the demand curve.<br>• Overheads and cost control targets.<br>• Targets set in relation to the Group business plan such as meeting targeted launch dates, and<br>• Targets set for safety performance based on Total Recordable Injury Frequency Rates. |
| **LTI** | Executives are entitled to participate in the employee securities incentive plan.<br><br>Options issued under the plan do not attract dividends or voting rights. | 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.<br><br>Pre-IPO awards were based on continued employment. In the 2024 financial year, the Board intends to introduce a new LTI scheme appropriate for the next stage of the Company's development in FY24 and beyond. |

### 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 Managing Director, 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 issued in January 2021 at the date of the Company's IPO.

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

In the 2024 financial year, the Board intends 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 executives 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. Any 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 2023 are summarised below:

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | 19,733 | 16,829 | 10,917 | 4,997 | 1,772 |
| **EBITDA[1]** | (3,114) | (4,398) | (8,290) | (3,926) | (1,664) |
| **EBIT** | (7,202) | (7,779) | (9,798) | (4,956) | (2,130) |
| **Loss after income tax** | (7,569) | (7,925) | (13,697) | (5,111) | (2,185) |

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Share price at financial year end** | 0.078 | 0.270 | 0.675 | 0.13[2] | 0.10[2] |
| **Basic loss per share (cents per share)** | (0.02) | (0.03) | (0.07) | (0.04) | (0.02) |

1. 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

2. 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 Key Management Personnel

| | |
|---|---|
| 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).<br>Base salary for the year ended 30 June 2023 of $350,000 plus superannuation, to be reviewed annually by the Remuneration and Nomination Committee.<br>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).<br>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.<br>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).<br>Base salary for the year ended 30 June 2023 of $191,250 plus superannuation, to be reviewed annually by the Remuneration and Nomination Committee.<br>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).<br>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.<br>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.<br>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 2023 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: | **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 2023 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 (resigned 24 April 2023)** |
| Title: | **Non-Executive Director** |
| Agreement commenced: | **8 March 2022** |
| Agreement terminated: | **24 April 2023** |
| Terms of agreement: | **Ongoing until terminated** |
| Details: | Base salary for the year ended 30 June 2023 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: | **Mart-Marie Derman** |
| Title: | **Chief Financial Officer** |
| Agreement commenced: | **1 May 2019** |
| Terms of agreement: | **Ongoing until terminated** |
| Details: | The Company has entered into a services agreement with Mrs Mart-Marie Derman on 1 May 2019. Subsequently effective from 11 September 2019, Mrs Mart-Marie Derman was promoted to the position of Chief Financial Officer of the Company on a full-time basis.<br>Base salary for the year ended 30 June 2023 of $230,000 plus superannuation, to be reviewed annually by the Remuneration and Nomination Committee.<br>The Agreement is for an indefinite term, continuing until terminated by either Mrs Mart-Marie Derman 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).<br>On termination of the Agreement, however occurring, Mrs Mart-Marie Derman is required to resign without claim for compensation from any office held by Mrs Mart-Marie Derman in the Company or any member of the Group.<br>Mrs Mart-Marie Derman is entitled to participate in bonus and/or other incentive schemes as determined by the Remuneration and Nomination Committee approval and KPI achievement.<br>The service agreement contains standard non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | **Patrick Holywell** |
| Title: | **Company Secretary** |
| Agreement commenced: | **20 November 2019** |
| Details: | The hourly rate for services rendered is $150. The agreement is for an indefinite term until terminated. |

## 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 | % Performance related | |
|---|---|---|---|---|---|---|---|
| 2023 | Cash salary & fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Equity-settled $ | | Total $ |
| **Non-Executive Directors** | | | | | | | |
| David Buckingham | 75,000 | - | - | 7,875 | - | - | 82,875 |
| Dalton Gooding | 50,000 | - | - | 5,250 | - | - | 55,250 |
| Sian Whyte[1] | 41,667 | - | - | 4,167 | - | - | 45,833 |
| **Executive Directors** | | | | | | | |
| Stephen Cornish | 372,849 | 70,350 | - | 28,621 | - | 15% | 471,820 |
| Timothy Cornish | 191,188 | 15,300 | - | 21,758 | - | 7% | 228,245 |
| **Other Key Management Personnel:** | | | | | | | |
| Patrick Holywell | 69,750 | - | - | - | - | - | 69,750 |
| Mart-Marie Derman | 229,885 | 18,400 | - | 24,886 | - | 7% | 273,171 |
| | 1,030,338 | 104,050 | - | 92,557 | - | 8.5% | 1,226,945 |

1. Sian Whyte resigned 24 April 2023.

**STI awarded to executives and executive KMP**

| FY23 | | STI opportunity | Cash salary and fees | STI opportunity (% of cash and fees) | STI achieved | FY23 STI payable |
|---|---|---|---|---|---|---|
| Exective | Role | % | $ | $ | % | $ |
| Stephen Cornish | Managing Director | 30 | 350,000 | 105,000 | 67 | 70,350 |
| Timothy Cornish | Executive Director | 20 | 191,250 | 38,250 | 40 | 15,300 |
| Mart-Marie Derman | Chief Financial Officer | 20 | 230,000 | 46,000 | 40 | 18,400 |

| | | 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 |

*resigned 23rd November 2021

## Additional disclosures relating to key management personnel

### Shareholding*

The number of shares in the Company held during the financial year by each director and other 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 | 223,500 | - | 333,555 | - | 557,055 |
| Dalton Gooding | 3,575,641 | - | 240,963 | - | 3,816,604 |
| Stephen Cornish | 50,458,135 | - | 24,096 | - | 50,482,233 |
| Timothy Cornish | 13,471,137 | - | 60,240 | - | 13,531,375 |
| Patrick Holywell | 697,182 | - | 124,096 | - | 821,278 |
| Mart-Marie Derman | 1,170,000 | - | - | - | 1,170,000 |
| | 69,595,597 | - | 782,950 | - | 70,378,545 |

*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 other 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 |
| 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 |
| | 24,000,000[1] | - | - | - | 24,000,000[1] |

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

### Other transactions with key management personnel and their related parties:

Pentanet Ltd spent $31,460 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 $4,785 balance relating to this fee outstanding as at 30 June 2023.

Pentanet Ltd spent $68,547 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 2023.

Pentanet Ltd received $19,800 with FFF Australia Pty Ltd 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 2023.

**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 insure 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 | |
|---|---|---|
| | 2023<br>$ | 2022<br>$ |
| Audit services - BDO Audit (WA) Pty Ltd<br>Audit or review of the financial statements | 108,031 | 97,850 |
| | **108,031** | **97,850** |

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**
30 August 2023
Perth

# Auditor's Independence Declaration

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

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

**DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF PENTANET LIMITED**

As lead auditor of Pentanet Limited for the year ended 30 June 2023, 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.

**Jarrad Prue**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth

30 August 2023

# 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**
Unit 2 / 8 Corbusier Place, Balcatta 6021, WA

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 29 August 2023. 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 2023**

| | Note | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|---|
| **Revenue** | 4 | 19,733 | 16,829 |
| Other income | 5 | 1,223 | 300 |
| Total revenue | | **20,956** | **17,129** |
| | | | |
| **Expenses** | 6 | | |
| Network, carrier, and hardware expenses | | (11,265) | (9,461) |
| Employee benefits expense | | (7,864) | (6,634) |
| Other expenses | | (4,941) | (5,432) |
| Earnings before finance cost, tax, depreciation, and amortisation expenses | | **(3,114)** | **(4,398)** |
| | | | |
| Finance costs | | (367) | (146) |
| Depreciation and amortisation expense | 6 | (4,088) | (3,381) |
| | | | |
| Loss before income tax expense | | **(7,569)** | **(7,925)** |
| | | | |
| Income tax expense | 7 | - | - |
| | | | |
| Loss after income tax expense for the year attributable to the owners of Pentanet Ltd | 30 | **(7,569)** | **(7,925)** |
| | | | |
| **Other comprehensive income** | | | |
| Changes in fair value of equity investments at fair value through other comprehensive income | | **(820)** | **-** |
| | | | |
| Total comprehensive income for the year attributable to the owners of Pentanet Ltd | | **(8,389)** | **(7,925)** |
| | | | |
| | | Cents | Cents |
| Basic and diluted (loss) per share attributable to owners of Pentanet Ltd | 36 | (0.02) | (0.03) |

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 2023**

| | | Consolidated | |
|---|---|---|---|
| | Note | 2023 $'000 | 2022 $'000 |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 7,368 | 13,388 |
| Trade and other receivables | 9 | 3,875 | 653 |
| Inventories | 10 | 406 | 334 |
| Deposits and prepayments | 11 | 483 | 726 |
| Total current assets | | 12,132 | 15,101 |
| **Non-current assets** | | | |
| Property, plant, and equipment | 13 | 19,647 | 16,171 |
| Right-of-use assets | 14 | 5,171 | 2,298 |
| Intangibles | 15 | 7,967 | 8,568 |
| Investment | 12 | 3,180 | 4,000 |
| Total non-current assets | | 35,965 | 31,037 |
| **Total assets** | | **48,097** | **46,138** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 3,870 | 3,684 |
| Contract liabilities | 17 | 76 | 100 |
| Employee benefits | 18 | 339 | 404 |
| Other liabilities | 19 | 2,313 | 2,280 |
| Lease liabilities | 20 | 509 | 993 |
| Borrowings | 21 | 796 | - |
| Total current liabilities | | 7,902 | 7,461 |
| **Non-current liabilities** | | | |
| Contract liabilities | 17 | 5 | - |
| Other liabilities | 19 | 2,242 | 3,804 |
| Lease liabilities | 20 | 4,983 | 1,312 |
| Borrowings | 21 | 1,810 | - |
| Total non-current liabilities | | 9,040 | 5,116 |
| **Total liabilities** | | 16,942 | 12,577 |
| **Net assets** | | **31,155** | **33,561** |
| **Equity** | | | |
| Reserves | 22 | 5,568 | 5,568 |
| Issued capital | 23 | 63,331 | 57,348 |
| Accumulated losses | 24 | (37,744) | (29,355) |
| **Total equity** | | **31,155** | **33,561** |

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 2023**

| 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 |
| | | | | |
| **Balance at 30 June 2022** | **57,348** | **5,568** | **(29,355)** | **33,561** |

| Consolidated | Issued capital | Reserves | Accumulated losses | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2022** | 57,348 | 5,568 | (29,355) | 33,561 |
| | | | | |
| Loss after income tax expense for the year | - | - | (8,389) | (8,389) |
| Other comprehensive income for the year, net of tax | - | - | - | |
| Total comprehensive loss for the year | - | - | (8,389) | (8,389) |
| | | | | |
| **Transactions with owners in their capacity as owners:** | | | | |
| Issue of shares | 6,467 | - | - | 6,467 |
| Share issue costs | (484) | - | - | (484) |
| | | | | |
| **Balance at 30 June 2022** | **63,331** | **5,568** | **(37,744)** | **31,155** |

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 2023**

| | | Consolidated | |
|---|---|---|---|
| | Note | 2023<br>$'000 | 2022<br>$'000 |
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 19,952 | 17,084 |
| Payments to suppliers and employees (inclusive of GST) | | (23,991) | (21,816) |
| | | (4,039) | (4,732) |
| Other income | | 768 | 47 |
| Interest received | | 14 | 7 |
| Interest and other finance costs paid | | (367) | (146) |
| Net cash used in operating activities | 8 | (3,624) | (4,824) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant, and equipment | 13 | (5,383) | (9,427) |
| Payments for intangibles | 15 | (1,887) | (465) |
| Payments for financial assets at fair value through other comprehensive income | 12 | - | (4,000) |
| Payment for deposits held by financial institutions | | (2,500) | - |
| Net cash used in investing activities | | (9,770) | (13,892) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 23 | 6,467 | 134 |
| Share issue transaction costs | | (484) | - |
| Proceeds from borrowings | | 2,118 | - |
| Payment of lease liabilities | | (727) | (735) |
| Net cash from financing activities | | 7,374 | (601) |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | (3,520) | (19,317) |
| Cash and cash equivalents at the beginning of the financial year | | 13,388 | 32,705 |
| | | | |
| **Cash and cash equivalents at the end of the financial year** | **8** | **7,368** | **13,388** |

The year-end cash balance of $7.4 million does not include a $2.5 million term deposit set to mature on October 10, 2023, which is included in Other receivables (see Note 9). This term deposit serves as security for the Westpac Business loan.

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 31.

### 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 2023, 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 segment information

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.

Note 1

## Significant accounting policies (continued)

### 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.

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 from monthly or annual subscription fees. Subscription fees are billed in advance of the start of their monthly or annual membership with revenue being recognised each month as the service is provided to the subscriber.

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

*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 accrued 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

Note 1

## Significant accounting policies (continued)

- 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, its 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.

Note 1
## Significant accounting policies (continued)

### 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 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.

*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

Note 1

## Significant accounting policies (continued)

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.

Note 1

## Significant accounting policies (continued)

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.

### 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

Note 1

## Significant accounting policies (continued)

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 2023. 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.

Note 2
## Critical accounting judgments, estimates and assumptions (continued)

*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 to 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-us 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 2023 or 2022 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 2023 | Internet services | Gaming and gaming technology services | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Revenue** | | | |
| Revenue | 18,701 | 1,032 | 19,733 |
| Other income | 742 | 481 | 1,223 |
| **Total revenue** | **19,443** | **1,513** | **20,956** |
| EBITDA[1] | (2,053) | (1,061) | (3,114) |
| Finance costs | (342) | (25) | (367) |
| Depreciation and amortisation | (3,569) | (519) | (4,088) |
| Loss before income tax expense | (5,964) | (1,605) | (7,569) |
| Income tax expense | - | - | - |
| **Loss after income tax expense** | **(5,964)** | **(1,605)** | **(7,569)** |
| **Assets** | | | |
| Segment assets | 36,604 | 11,493 | 48,097 |
| **Total assets** | **36,604** | **11,493** | **48,097** |
| **Liabilities** | | | |
| Segment liabilities | 14,480 | 2,462 | 16,942 |
| **Total liabilities** | **14,480** | **2,462** | **16,942** |

1. 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

| Consolidated 2022 | Internet services | Gaming and gaming technology services | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Revenue** | | | |
| Revenue | 16,107 | 722 | 16,829 |
| **Total revenue** | **16,107** | **722** | **16,829** |
| EBITDA[1] | (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** |

1. 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

**Note 4**

## Revenue

04

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Rendering of services - telecommunication services | 373 | 547 |
| Rendering of services - recurring network revenue | 17,880 | 14,762 |
| Gaming and technology revenue | 1,032 | 722 |
| Sale of goods | 448 | 798 |
| **Revenue** | **19,733** | **16,829** |
| **Timing of revenue recognition** | | |
| Services transferred overtime | 19,285 | 16,031 |
| Goods transferred at a point in time | 448 | 798 |
| **Revenue** | **19,733** | **16,829** |

**Note 5**

## Other income

05

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Research and development grant | 690 | 78 |
| Interest income | 34 | 7 |
| Other income | 499 | 215 |
| **Total** | **1,223** | **300** |

Note 6

## Expenses

06

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| **Loss before income tax includes the following specific expenses:** | | |
| Network, carrier and hardware expenses | 11,265 | 9,461 |
| | | |
| **Depreciation** | | |
| Leasehold Improvements | 191 | 47 |
| Plant and Equipment | 348 | 319 |
| Network Infrastructure | 1,718 | 1,350 |
| Right of use assets | 1,041 | 800 |
| Total depreciation | 3,298 | 2,516 |
| | | |
| **Amortisation** | | |
| Amortisation | 790 | 865 |
| Total depreciation and amortisation | 4,088 | 3,381 |
| | | |
| **Finance costs** | | |
| Finance cost on loans | 114 | 78 |
| Finance cost on leases | 253 | 68 |
| Finance costs expensed | 367 | 146 |
| | | |
| **Employee benefits expense excluding superannuation** | | |
| Employee benefits expense excluding superannuation | 7,220 | 6,125 |
| | | |
| **Superannuation expense** | | |
| Defined contribution superannuation expense | 644 | 509 |
| | | |
| Total employee benefit expense including superannuation | 7,864 | 6,634 |
| | | |
| Advertising and promotion | 1,884 | 2,392 |
| Legal and professional services | 310 | 648 |
| Other operating expenses | 2,748 | 2,392 |
| Other expenses | 4,941 | 5,432 |

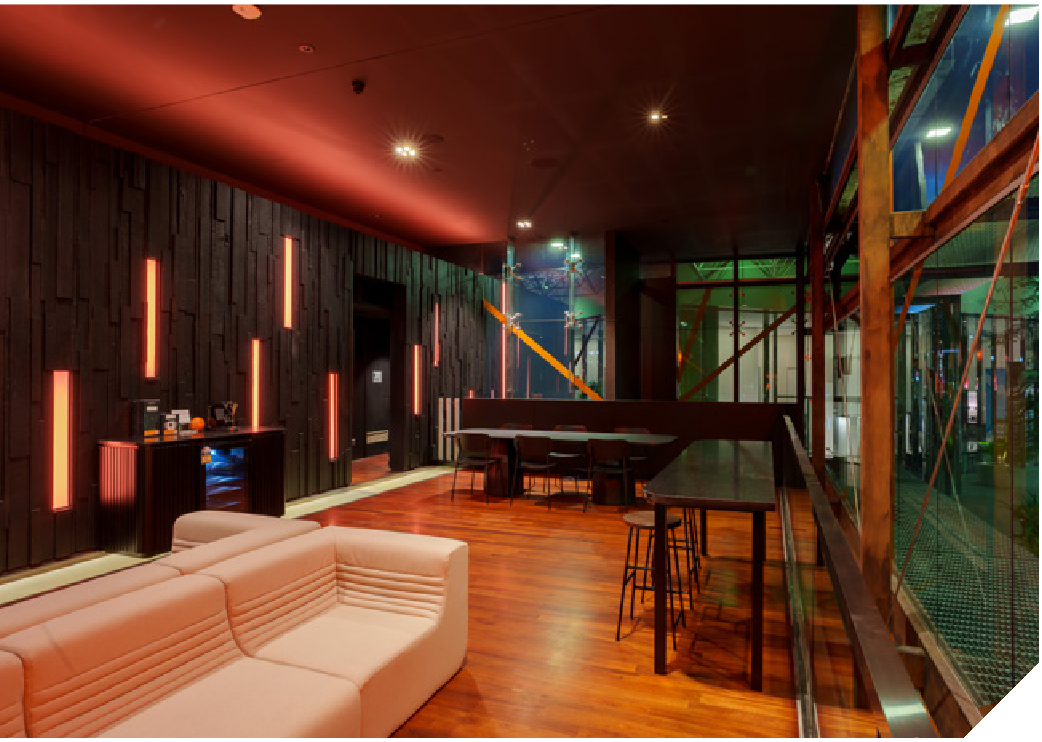
**Note 7**

# Income tax expense

07

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| **Numerical reconciliation of income tax expense and tax at the statutory rate** | | |
| Loss before income tax expense | (7,569) | (7,925) |
| | | |
| Tax at the statutory tax rate of 25% (2022: 26%) | (1,892) | (1,981) |
| | | |
| **Tax effect amounts which are not deductible/(taxable) in calculating taxable income:** | | |
| Add: other non-allowable items | 158 | 2 |
| Less: other deductable items | - | - |
| Current net deferred tax asset not recognised | (1,734) | (1,979) |
| | | |
| Unrecognised deferred tax relating to tax losses | (1,683) | (1,979) |
| Unrecognised deferred tax relating to temporary differences | (902) | (1,445) |
| Total deferred tax asset not brought to account | (2,585) | (3,424) |
| | | |
| Tax losses not recognised | 10,338 | 13,699 |
| | | |
| Income tax expense | - | - |
| The applicable weighted average effective tax rates are as follows: | 0% | 0% |

Tax losses carried forward to later income years are $38.8 million



Note 8
# Cash and cash equivalents

08

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Cash at bank | 7,041 | 5,562 |
| Term deposits | 327 | 7,826 |
| **Total** | **7,368** | **13,388** |

The year-end cash balance of $7.4 million does not include a $2.5 million term deposit set to mature on October 10, 2023. This term deposit serves as security for the Westpac Business loan. Refer to Note 9.

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

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Loss after income tax expense for the year | (7,569) | (7,925) |
| | | |
| **Adjustments for:** | | |
| Depreciation and amortisation | 4,088 | 1,508 |
| Interest expense | 353 | 93 |
| Share-based payments | - | - |
| | | |
| **Change in operating assets and liabilities:** | | |
| (Decrease)/increase in trade and other receivables | (722) | (538) |
| Increase in inventories | (73) | (171) |
| Increase in prepayments | 243 | (329) |
| Increase in trade and other payables | (44) | 545 |
| Increase/(decrease) in contract liabilities | (19) | (3) |
| Increase in employee benefits | 119 | 123 |
| | | |
| Net cash used in operating activities | (3,624) | (4,824) |
| | | |
| **Non-cash investing and financing activities** | | |
| Additions to the right-of use assets | 5,269 | 1,524 |
| **Total** | **5,269** | **1,524** |

Note 9

## Current assets - trade and other receivables

09

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Trade receivables | 413 | 184 |
| Less: Allowance for expected credit losses | (29) | (19) |
| | 384 | 165 |
| | | |
| Other receivables[1] | 991 | 488 |
| | 1,375 | 653 |

1. Included in other receivables is a $2.5 million term deposit that is scheduled to mature on October 10, 2023. This term deposit is held as security for the Westpac Business loan and will continue to be held until specific profitability milestones are achieved.

Additionally, included in other receivables is an amount of $570,000, representing the early settlement of an off-net telecommunications wholesale account bill. Originally due for payment in July 2023, this bill has been settled before its due date to take advantage of an early settlement discount.

### 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 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 | 2023 $'000 | 2022 $'000 |
| Not past due | 1% | 1% | 112 | 83 | 1 | 1 |
| 0-30 days past due | 0% | 1% | 64 | 26 | - | - |
| 31-60 days past due | 6% | 7% | 26 | 5 | 2 | - |
| 61-90 days past due | 50% | 51% | 18 | 21 | 9 | 11 |
| More than 90 days past due | 9% | 24% | 193 | 30 | 17 | 7 |
| | | | 413 | 165 | 29 | 19 |

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

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Opening balance | 19 | 5 |
| Additional provisions recognised | 62 | 44 |
| Receivables written off during the year as uncollectable | (52) | (30) |
| **Closing balance** | **29** | **19** |

### Allowance for expected credit losses

The Consolidated Entity has recognised a loss of $29,033 ($18,904 as at 30 June 2022) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

**Note 10**

## Current assets - inventories

10

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Finished goods - at cost | 407 | 334 |

Finished goods are recognised at cost and no net realisable adjustment is required for the year ended 30 June 2023.

**Note 11**

## Current assets - deposits and prepayments

11

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Prepayments | 322 | 417 |
| Security deposits | 161 | 309 |
| | 483 | 726 |

**Note 12**

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

12

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| **Unlisted ordinary shares** | | |
| Canopus Networks Pty Ltd | 3,180 | 4,000 |
| | | |
| Opening Balance | 4,000 | - |
| Acquisition of equity investment | - | 4,000 |
| Changes in fair value of equity investments at fair value through other comprehensive income | (820) | - |
| Closing Balance: | 3,180 | 4,000 |

Refer to Note 27 for further information on fair value measurement.

Note 13

## Non-current assets - property, plant and equipment

13

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| Leasehold improvements - at cost | 1,098 | 425 |
| Less: Accumulated depreciation | (217) | (113) |
| | 881 | 312 |
| | | |
| Plant and equipment - at cost | 1,725 | 1,777 |
| Less: Accumulated depreciation | (794) | (589) |
| | 931 | 1,188 |
| | | |
| Network infrastructure - at cost | 21,693 | 17,824 |
| Less: Accumulated depreciation | (3,858) | (3,153) |
| | 17,835 | 14,671 |
| | | |
| | **19,647** | **16,171** |

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:

| Consolidated | Leasehold improvements $'000 | Plant and equipment $'000 | Network infrastructure $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 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 |
| Additions | 760 | 259 | 5,291 | 6,310 |
| Disposals | - | (168) | (409) | (577) |
| Depreciation expense | (191) | (348) | (1,718) | (2,257) |
| | | | | |
| **Balance at 30 June 2023** | **881** | **931** | **17,835** | **16,171** |

Note 14

## Non-current assets - right-of-use assets

14

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Office lease - right-of-use | 335 | 1,150 |
| Less: Accumulated depreciation | (78) | (403) |
| | 257 | 747 |
| | | |
| Network infrastructure - right-of-use | 6,110 | 2,947 |
| Less: Accumulated depreciation | (1,196) | (1,396) |
| | 4,914 | 1,551 |
| | | |
| | **5,171** | **2,298** |

### 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 2021 | 1,446 | 100 | 1,546 |
| Additions | 681 | 871 | 1,552 |
| Depreciation expense | (576) | (224) | (800) |
| | | | |
| Balance at 30 June 2022 | 1,551 | 747 | 2,298 |
| Additions | 4,103 | - | 4,103 |
| Disposals | - | (189) | (189) |
| Depreciation expense | (740) | (301) | (1,041) |
| | | | |
| **Balance at 30 June 2022** | **4,914** | **257** | **5,171** |

Note 15

## Non-current assets - intangibles

15

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Trademarks and design - at cost | 97 | 93 |
| Less: Accumulated amortisation | (9) | (5) |
| | 88 | 88 |
| | | |
| Software - at cost | 417 | 333 |
| Less: Accumulated amortisation | (332) | (233) |
| | 85 | 100 |
| | | |
| Other intangible assets - at cost | 557 | 463 |
| Less: Accumulated amortisation and impairment | (60) | (40) |
| | 497 | 423 |
| | | |
| Licenses - at cost | 8,620 | 8,719 |
| Less: Accumulated amortisation | (1,323) | (762) |
| | 7,297 | 7,957 |
| | | |
| | 7,967 | 8,568 |

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 30 June 2021 | 46 | 92 | 8,659 | 244 | 9,041 |
| Additions | 46 | 92 | 62 | 192 | 392 |
| Amortisation expense | (4) | (84) | (734) | (13) | (865) |
| Impairment | | | | | |
| | | | | | |
| Balance at 30 June 2022 | 88 | 100 | 7,957 | 423 | 8,568 |
| Additions | 5 | 84 | 6 | 94 | 189 |
| Amortisation expense | (5) | (99) | (666) | (20) | (790) |
| | | | | | |
| **Balance at 30 June 2022** | **88** | **85** | **7,297** | **497** | **7,967** |

Note 16
## Current liabilities - trade and other payables

16

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Trade payables | 2,904 | 2,878 |
| BAS payable | 60 | 209 |
| Other payables | 906 | 597 |
| | 3,870 | 3,684 |

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 | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Current liabilities - contract liabilities | 76 | 100 |
| Non-current liabilities - contract liabilities | 5 | - |
| | 81 | 100 |

**Reconciliation**

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

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| Opening balance | 100 | 103 |
| Payments received in advance | 220 | 202 |
| Transfer to revenue - included in the opening balance | (239) | (205) |
| **Closing balance** | **81** | **100** |

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 $81,000 as at 30 June 2023 ($100,000 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Within one year | 76 | 92 |
| Between one and two years | 4 | 6 |
| Between two and five years | 1 | 2 |
| | **81** | **100** |

**Note 18**

## Employee benefits

18

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Current liabilities – employee benefits | 339 | 404 |
| Non-current liabilities – employee benefits | - | - |
| | **339** | **404** |

**Note 19**

## Other liabilities

19

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Term purchases | 590 | 445 |
| Intangible asset finance[1] | 1,722 | 1,835 |
| Total current other liabilities | 2,312 | 2,280 |
| | | |
| Term purchases | 388 | 354 |
| Intangible asset finance[1] | 1,854 | 3,450 |
| Total non-current other liabilities | 2,242 | 3,804 |
| **Total other liabilities** | **4,554** | **6,084** |

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 instalments per the ACMA's allocation determination.

Refer to Note 26 for further information on financial instruments.

Note 20

## Lease liabilities

20

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Current lease liability | 509 | 993 |
| Non-current lease liabilities | 4,983 | 1,312 |
| **Total lease liabilities** | **5,492** | **2,305** |

### 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 26 for further information on financial instruments.

Note 21

## Borrowings

21

| | Consolidated 2023 $'000 | Consolidated 2022 $'000 |
|---|---|---|
| **Current** | | |
| Bank loan | 636 | - |
| Term purchase agreement | 160 | - |
| Total lease liabilities | 796 | - |
| | | |
| **Non-current** | | |
| Bank loan | 1,749 | - |
| Term purchase agreement | 61 | - |
| Total non-current borrowings | 1,810 | - |

### Term Purchase

The Company has a revolving credit facility with Toyota Fleet Management, amounting to $800,000, specifically designated for our fleet and installation vehicles. This facility is secured. Interest rates range from 3% to 4.2%. Its maturity dates range between October 2023 and October 2025.

Note 20
## Lease liabilities (continued)

### Bank Loan

Under the arrangements with Westpac Banking Corporation, a loan facility was initiated on 21 October 2022. The aggregate loan facilities amount to $5 million and are designated to support capital expenditure requirements. The loan term is 5 years, and Pentanet is allowed a drawdown period of up to 3 months from the establishment date to access the funds. The calculation of interest on the loan is subject to a variable interest rate, with the year-end exit rate of 7.38%.

The loan facilities are subject to customary terms and conditions. These conditions encompass standard negative undertakings observed by Pentanet, including a restriction on the granting of additional security over properties already pledged under a security agreement in favour of Westpac. Any drawdowns made under the Facilities will be subject to a number of conditions precedent, which are customary for facilities of this nature.

Note 22
## Equity - reserves

22

| | Consolidated | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'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:

| | Issued capital | Reserves | Total |
|---|---|---|---|
| Consolidated | $'000 | $'000 | $'000 |
| Balance at 1 July 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 |
| Issue of shares | 6,467 | - | 6,467 |
| Share issue costs | (484) | - | (484) |
| Share-based payments expense | - | - | - |
| **Balance at 30 June 2022** | **63,331** | **5,568** | **68,899** |

### 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 personnel, as part of their remuneration. Refer to Note 36 for further details of these plans.

Note 23

## Equity - issued capital

23

| | Consolidated | | | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $'000 | $'000 | $'000 | $'000 |
| Ordinary shares - fully paid | 373,727,213 | 295,810,713 | 63,331 | 57,348 |

**Movements in ordinary share capital**

| Details | Date | Shares | Issue price | $'000 |
|---|---|---|---|---|
| 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 |
| Shares issued under share placement | 27 April 2023 | 73,952,677 | 0.083 | 6,138 |
| Shares issued under share purchase plan | 31 May 2023 | 3,963,823 | 0.083 | 329 |
| Share issue transaction cost | | | | (484) |
| **Balance** | **30 June 2023** | **373,727,213** | | **63,331** |

*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 2022 Annual Financial Statements.

Note 24

## Equity - accumulated losses

24

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Accumulated losses at the beginning of the financial year | (29,355) | (21,430) |
| Loss after income tax expense for the year | (8,389) | (7,925) |
| **Accumulated losses at the end of the financial year** | **(37,744)** | **(29,355)** |

Note 25

## Equity - dividends

25

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

Note 26

## Financial instruments

26

**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 $318,000 (30 June 2022: $400,000).

*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.

Note 26
# 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 | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Consolidated | % | % | $'000 | $'000 | $'000 | $'000 |
| Not past due | 1% | 1% | 112 | 83 | 1 | 1 |
| 0-30 days past due | 0% | 1% | 64 | 26 | - | - |
| 31-60 days past due | 6% | 7% | 26 | 5 | 2 | - |
| 61-90 days past due | 50% | 51% | 18 | 21 | 9 | 11 |
| More than 90 days past due | 9% | 24% | 193 | 30 | 17 | 7 |
| | | | **413** | **165** | **29** | **19** |

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

| | Consolidated | |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Opening balance | 19 | 5 |
| Additional provisions recognised | 62 | 44 |
| Receivables written off during the year as uncollectible | (52) | (30) |
| **Closing balance** | **29** | **19** |

*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.

Note 26

# Financial instruments (continued)

*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.

| Consolidated - 2023 | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | | 2,878 | - | - | - | 2,878 |
| Other payables | | 966 | - | - | - | 966 |
| Contract liabilities | | 100 | - | - | - | 100 |
| | | | | | | |
| **Interest bearing** | | | | | | |
| Term purchase and other finance arrangements | 1.76% | 2,471 | 2,045 | 1,880 | - | 6,396 |
| Bank loans | 7.38% | 640 | 440 | 1,305 | - | 2,385 |
| Lease liability | 4.41% | 509 | 530 | 1,687 | 2,173 | 4,899 |
| **Total non-derivatives** | | **7,566** | **3,019** | **4,873** | **2,173** | **17,631** |

| Consolidated - 2022 | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'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** |

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 27**

## Fair value measurement of financial instruments

27

The Group holds the following financial instruments:

| | | Consolidated | |
|---|---|---|---|
| **Financial Assets** | **Note** | **2023** $'000 | **2022** $'000 |
| Cash and cash equivalents | 8 | 9,868 | 13,388 |
| Trade and other receivables | 9 | 1,375 | 653 |
| Financial assets at fair value through other comprehensive income | 12 | 3,180 | 4,000 |
| | | **14,423** | **18,041** |

(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.

| | **2023** $'000 | **2022** $'000 |
|---|---|---|
| **Non-current assets** | | |
| Unlisted securities | | |
| Canopus Networks Pty Ltd | 3,180 | 4,000 |
| | **3,180** | **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.

(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.

Note 27

## Fair value measurement of financial instruments (continued)

*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 2023 | $'000 | $'000 | $'000 | $'000 |
| **Assets** | | | | |
| Ordinary shares at fair value through other comprehensive income | - | - | 3,180 | 3,180 |
| **Total assets** | **-** | **-** | **3,180** | **3,180** |

| | 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** |

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.

During the financial year ended 30 June 2023, Canopus Network Pty Ltd finalised an offer from Investors to provide additional capital funding to the Company for $4.20 per share - a deal which is considered indicative of its fair value at that date by directors. As such, the Company recognised and reflected a reduction in fair value totalling $820,433.

Note 28

## Key management personnel disclosures

28

*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 | 2023 $'000 | 2022 $'000 |
| Short-term employee benefits | 1,134 | 979 |
| Post-employment benefits | 93 | 84 |
| | **1,227** | **1,063** |

*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 29

## Remuneration of auditors

29

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 | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| **Audit services - BDO Audit (WA) Pty Ltd** | | |
| Audit or review of the financial statements | 108 | 98 |
| | **108** | **98** |

Note 30

# Related party transactions

30

*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 | |
|---|---|---|---|
| | | 2023<br>% | 2022<br>% |
| 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 | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| **Transactions** | | |
| DFK Gooding Partners | (31) | (28) |
| FFF Australia Pty Ltd | 20 | - |
| The Cornish Property Trust | (69) | (99) |
| | | |
| **Current payables** | | |
| Trade payables to other related party | 5 | 3 |

Pentanet Ltd spent $31,460 with DFK Gooding Partners during the year on commercial terms and market rates, which is a director related entity (Dalton Gooding), with a $4,785 balance relating to this fee outstanding as at 30 June 2023.

Pentanet Ltd spent $68,547 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 2023.

Pentanet Ltd received $19,800 with FFF Australia Pty Ltd 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 2023.

*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 31
# Parent entity information

31

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

**Statement of profit or loss and other comprehensive income**

| | Parent | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Loss after income tax | (7,051) | (7,603) |
| Other comprehensive loss | (2,471) | |
| Total comprehensive loss | (9,521) | (7,603) |

**Statement of financial position**

| | Parent | |
|---|---|---|
| | 2023<br>$'000 | 2022<br>$'000 |
| Total current assets | 11,776 | 14,873 |
| Total assets | 47,667 | 45,857 |
| Total current liabilities | 6,959 | 7,401 |
| Total liabilities | 16,635 | 12,517 |
| **Equity** | | |
| Issued capital | 63,330 | 57,348 |
| Share-based payments reserve | 5,568 | 5,568 |
| Accumulated losses | (37,866) | (29,576) |
| **Total equity** | **31,033** | **33,340** |

*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 2023 and 30 June 2022.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

*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 32**

## Events after the reporting period

No matters or circumstances have arisen since 30 June 2023 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.

**Note 33**

## Contingent assets

There are no Contingent Assets as at 30 June 2023.

**Note 34**

## Contingent liabilities

Pentanet has guarantee facilities of $404,698 (30 June 2022: $591,869) available for utilisation.

There are no other Contingent Liabilities as at 30 June 2023.

**Note 35**

## 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. To date, the Company has bought a single Gen 2 GFN POD. Due to the emergence of new technology, the Company opted to transition to purchasing Gen 3 Servers. By 30 June 2023, the Company has placed and order and received one quarter of a GFN Gen 3 POD.

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. As of the date of this report no notice has been given.

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

**Note 36**
## Earnings per share

36

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Loss after income tax attributable to the owners of Pentanet Ltd | (7,569) | (7,925) |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 309,317,021 | 295,396,469 |
| Adjusted for calculation of diluted loss per share: | | |
| Options over ordinary shares | 29,597,000 | 29,584,000 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 338,914,021 | 324,980,469 |

| | Cents | Cents |
|---|---|---|
| Basic (loss) per share attributable to owners of Pentanet group | (0.02) | (0.03) |

**Note 37**
## Share-based payments

37

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:

| 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|
| 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 |
| 27/11/2020 | 30/06/2024 | 0.300 | 9,857,000 | - | - | - | 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 2023 | | | 29,957,000 | | - | - | 29,597,000 |

The weighted average options exercise price of all unexercised options on issue at the end of 30 June 2023 was $0.39

There were no options issued during the year ended 30 June 2023.

Note 37

## Share-based payments (continued)

| 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 the year ended 30 June 2022.

| | Consolidated | |
|---|---|---|
| | 2023 $'000 | 2022 $'000 |
| **Share-based payment expense reconciliation** | | |
| Issue of share options to directors and employees under incentive option scheme | - | - |

# Directors' 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 2023 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**
30 August 2023
Perth

# Independent Auditor's Report

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

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

**INDEPENDENT AUDITOR'S 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 2023, 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 2023 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.

### 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* |
|---|---|
| Revenue is disclosed in Note 1 and Note 4 of the financial report.<br><br>Revenue from Internet and gaming services are key drivers by which the performance of the Group is measured. This is a key audit matter due to the volume of transactions and the total balance of revenue. | Our procedures included, but were not limited to the following:<br>• Assessing the Group's accounting policy for revenue to assess it has been correctly accounted for in accordance with the Australian Accounting Standards;<br>• Performing analytical procedures to understand movements and trends in revenue for comparison against expectations;<br>• Understanding and documenting the processes and controls used by the Group in recording revenue;<br>• Checking a sample of revenue transactions to amounts recorded by the group to supporting documentation and or contracts to confirm that transaction has been recorded in the profit or loss statement in accordance with AASB 15;<br>• Performing cut-off procedures to evaluate that revenue was captured in the appropriate financial year; and<br>• Assessing the adequacy of the related disclosures in the financial report. |

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**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 2023, 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 26 to 33 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Pentanet Limited, for the year ended 30 June 2023, 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

Jarrad Prue

**Director**

Perth

30 August 2023

# Shareholder Information

## Additional ASX information

The following additional information is required by the Australian Securities Exchange. The information is current as at 31 July 2023.

## Shareholding information

The following information relates to fully paid ordinary shares in the Company. The Company has 373,727,213 fully paid ordinary shares on issue.

## Shareholding distribution

| Holding Ranges | Holders | Total Shares | % Issued Share Capital |
|---|---|---|---|
| above 0 up to and including 1,000 | 592 | 436,490 | 0.12% |
| above 1,000 up to and including 5,000 | 1,425 | 3,747,014 | 1.00% |
| above 5,000 up to and including 10,000 | 940 | 7,394,922 | 1.98% |
| above 10,000 up to and including 100,000 | 1,095 | 37,998,648 | 10.17% |
| above 100,000 | 346 | 324,150,139 | 86.73% |
| **Totals** | **4,398** | **373,727,213** | **100.00%** |

The number of holders holding less than a marketable parcel ($500) is 1,863 holders with a total of 3,422,676 fully paid ordinary shares amounting to 0.101% of issued share capital.

## Twenty largest shareholders

| Position | Holder | Shares | % Issued Capital |
|---|---|---|---|
| 1 | STEPHEN CORNISH | 43,229,096 | 11.57% |
| 2 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 41,018,437 | 10.98% |
| 3 | UBS NOMINEES PTY LTD | 23,939,215 | 6.41% |
| 4 | ZERO NOMINEES PTY LTD | 15,622,706 | 4.18% |
| 5 | PETER & SUSAN CORNISH | 10,266,410 | 2.75% |
| 6 | HILLBOI NOMINEES PTY LTD | 7,719,187 | 2.07% |
| 7 | MR PETER JOHN CORNISH <THE CORNISH FAMILY A/C> | 7,253,137 | 1.94% |
| 8 | TIMOTHY CORNISH | 6,278,240 | 1.68% |
| 9 | PRM PROPERTY HOLDINGS PTY LTD | 5,512,821 | 1.48% |
| 10 | ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C> | 5,050,000 | 1.35% |
| 11 | ICE COLD INVESTMENTS PTY LTD | 4,216,867 | 1.13% |
| 12 | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 4,078,762 | 1.09% |
| 13 | SPAR NOMINEES PTY LTD <THE DEVEREUX A/C> | 3,850,000 | 1.03% |
| 14 | MRS SHARON LEONIE WHITE | 3,659,949 | 0.98% |
| 15 | NATIONAL NOMINEES LIMITED | 3,500,000 | 0.94% |
| 16 | TIMIGEV NOMINEES PTY LTD <THE PAYNE SUPER FUND A/C> | 2,929,752 | 0.78% |
| 17 | URBAN LAND NOMINEES PTY LTD | 2,907,693 | 0.78% |
| 18 | EUGOB NOMINEES PTY LTD <THE COOLING FAMILY A/C> | 2,635,000 | 0.71% |
| 19 | MOULYINNING NOMINEES PTY LTD <GOODING FAMILY S/F A/C> | 2,516,604 | 0.67% |
| 20 | JACK SPARROW WA PTY LTD <CURWEN SUPER FUND A/C> | 2,350,000 | 0.63% |
| | Total | 198,533,876 | 53.12% |
| | **Total issued capital - selected security class(es)** | **373,727,213** | **100.00%** |

## Substantial shareholders

| Shareholder | Number | % of Issued Share Capital | Date of Notice |
|---|---|---|---|
| STEPHEN CORNISH <STEMMA INVESTMENT A/C> | 50,458,137 | 13.65% | 28 April 2023 |
| TIGA TRADING PTY LTD | 28,814,858 | 7.79% | 28 April 2023 |
| THORNEY TECHNOLOGIES LTD | 28,814,858 | 7.79% | 28 April 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 Options | % Issued Option 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 | 10 | 28,050,000 | 94.77% |
| **Totals** | **50** | **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 | 50 | 9,857,000 |
| Unlisted Options – exercisable at 37 cents each on or before 30/06/2024 | 50 | 9,870,000 |
| Unlisted Options – exercisable at 50 cents each on or before 30/06/2024 | 50 | 9,870,000 |
| | | **29,597,000** |

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/.

## 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 Ltd.

Unit 2 / 8 Corbusier Place,

Balcatta 6021, WA

pentanet.com.au

ABN 29 617 506 279

ASX: 5GG