

PENTANET

APPENDIX 4D

ASX: 5GG

28 FEBRUARY 2024



**PENTANET LTD
APPENDIX 4D
31 DECEMBER 2023
HALF-YEAR REPORT**

1. Company details

Name of entity: Pentanet Limited
ABN: 29 617 506 279
Reporting period: For the half-year ended 31 December 2023
Previous period: For the half-year ended 31 December 2022

2. Results for announcement to the market

| | | | | 31 Dec 23 | 31 Dec 22 |
|--|------|-----|----|------------------|------------------|
| | | | | \$'000 | \$'000 |
| Revenues from ordinary activities | up | 7% | to | 10,402 | 9,717 |
| EBITDA ¹ Loss | down | 91% | to | (241) | (2,548) |
| Loss from ordinary activities after tax attributable to the owners of Pentanet Ltd | down | 42% | to | (2,748) | (4,772) |
| Loss for the half-year attributable to the owners of Pentanet Ltd | down | 51% | to | (2,748) | (4,772) |

3. Dividends

No dividends were paid during the half-year and the directors have not recommended a dividend in respect of the 2023 financial period (2022: Nil.)

4. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|-------------------------------|------------------------------|
| Net tangible assets per ordinary security | <u>0.06</u> | <u>0.07</u> |

5. Control gained over entities

Not applicable.

6. Loss of control over entities

Not applicable.

7. Details of associates and joint venture entities

Not applicable

8. Audit qualification or review

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

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

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

9. Attachments

Details of attachments (if any):

The Interim Report of Pentanet Ltd for the half-year ended 31 December 2023 is attached.

Review of Operations

Pentanet Ltd is pleased to report its interim results for the half-year ended 31 December 2023, with revenue increasing in both business segments. Revenue reached \$10.4 million for the half year ending 31 December 2023, representing 7% YoY growth. Telecommunications recurring revenue increased by 5% to \$9.1 million, and gaming segment revenue increased by 88% to \$0.9 million.

Consolidated gross profit increased by 19% YoY to \$4.9 million, and gross margin of 47%, up 11% YoY. The telecommunications segment's gross profit increased by 8% YoY, reaching \$4.6 million and reflecting a gross margin of 48%, up from 46% in H1FY23. This improvement can be attributed to a successful off-to-on-net conversions campaign after the launch of new 5G Fixed Wireless plans.

The gaming segment delivered a significant gross profit increase of 212% YoY, reaching \$0.3 million, in line with an 83% growth on PcP in paid GeForce NOW cloud gaming memberships. The Company now has a solid base of paid memberships, effectively covering the fixed monthly recurring costs incurred in the early stages when the service was launched. Consequently, the gross profit margin for the gaming segment reached 30% for H1FY24, a 161%YoY improvement.

As at 31 December 2023, more than 490,000 gamers across Australia and New Zealand have registered as members. GeForce NOW Powered by CloudGG continued to deliver impressive growth metrics. The overall growth on the platform is driven by a more diverse membership offering with the introduction of the 'Ultra' membership tier, marketing efforts, new content additions, and additional growth from the launch of GeForce NOW Powered by CloudGG on the Optus SubHub platform.

Net loss after tax for the half-year was \$2.7 million (31 December 2022: \$4.8 million). The YoY reduction was primarily driven by a 19% decrease in operating expenses due to a reduction in marketing expenses, reduced office lease costs, and a 14% reduction in employee-related costs.

The Company closed the half-year with a cash balance of \$6.3m and available financing facilities to fund future capital expansion for its 5G and neXus rollouts and purchase of additional NVIDIA RTX 3080 servers.

9. Signed

Signed  _____

David Buckingham
Non-Executive Chairman
Perth
28th February 2024

INTERIM FINANCIAL REPORT – 31 DECEMBER 2023

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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General Information

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

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

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue on 28th of February 2024, in accordance with a resolution of directors.

PENTANET LTD
ABN: 29 617 506 279

CORPORATE DIRECTORY 31 DECEMBER 2023

| | | |
|------------------------------------|--|---|
| Directors | David Buckingham Stephen Cornish Timothy Cornish Dalton Gooding Dominic O'Hanlon | Non-Executive Chairman Managing Director Executive Director Non-Executive Director Non-Executive Director |
| Company Secretaries | Patrick Holywell Arron Canicais | |
| Registered Office | Unit 2, 8 Corbusier Place, Balcatta 6021 | |
| Principal Place of Business | Unit 2, 8 Corbusier Place, Balcatta 6021 | |
| Share Register | Automic Group Level 5, 191 St Georges Terrace, Perth, 6000, WA | |
| Auditors | 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) | |

PENTANET LTD
Directors' report
31 December 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Pentanet Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

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

David Buckingham (Chairman)
Dalton Gooding
Stephen Cornish
Timothy Cornish
Dominic O'Hanlon (appointed 6 October 2023)

Principal activities

During the financial period the principal continuing activities of the consolidated entity consisted of the provision of internet and associated telecommunications products and services and gaming technology services.

Review of operations

Pentanet Ltd is pleased to report its interim results for the half-year ended 31 December 2023, with revenue increasing in both business segments. Revenue reached \$10.4 million for the half year ending 31 December 2023, representing 7% YoY growth. Telecommunications recurring revenue increased by 5% to \$9.1 million, and gaming segment revenue increased by 88% to \$0.9 million.

Consolidated gross profit increased by 19% YoY to \$4.9 million, and gross margin of 47%, up 11% YoY. The telecommunications segment's gross profit increased by 8% YoY, reaching \$4.6 million and reflecting a gross margin of 48%, up from 46% in H1FY23. This improvement can be attributed to a successful off-to-on-net conversions campaign after the launch of new 5G Fixed Wireless plans.

The gaming segment delivered a significant gross profit increase of 212% YoY, reaching \$0.3 million, in line with an 83% growth on PcP in paid GeForce NOW cloud gaming memberships. The Company now has a solid base of paid memberships, effectively covering the fixed monthly recurring costs incurred in the early stages when the service was launched. Consequently, the gross profit margin for the gaming segment reached 30% for H1FY24, a 161%YoY improvement.

As at 31 December 2023, more than 490,000 gamers across Australia and New Zealand have registered as members. GeForce NOW Powered by CloudGG continued to deliver impressive growth metrics. The overall growth on the platform is driven by a more diverse membership offering with the introduction of the 'Ultra' membership tier, marketing efforts, new content additions, and additional growth from the launch of GeForce NOW Powered by CloudGG on the Optus SubHub platform.

Net loss after tax for the half-year was \$2.7 million (31 December 2022: \$4.8 million). The YoY reduction was primarily driven by a 19% decrease in operating expenses due to a reduction in marketing expenses, reduced office lease costs and a 14% reduction in employee-related costs.

The Company closed the half-year with a cash balance of \$6.3m and available financing facilities to fund future capital expansion for its 5G and neXus rollouts and purchase of additional NVIDIA RTX 3080 servers.

PENTANET LTD
Directors' report
31 December 2023

Significant changes in the state of affairs

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

In August 2023, GeForce NOW cloud gaming launched on Samsung Smart Devices in Australia via Gaming Hub, making cloud gaming more accessible for Australians.

In September 2023, Pentanet appointed Mr Arron Canicais as Joint Company Secretary.

In September 2023, Pentanet released a new top-tier membership plan for NVIDIA GeForce NOW™ RTX 3080 following successful next-generation cloud gaming deployment.

In October 2023, Pentanet appointed Mr Dominic O'Hanlon as non-executive director.

In November 2023, Pentanet launched NVIDIA GeForce NOW™ Powered by CloudGG on the Optus SubHub.

In December 2023, Pentanet and Cambium executed the Network-as-a-Service Agreement (NaaS) with Cambium Networks Ltd ("Cambium"). The agreement gives Pentanet a flexible way to deploy 5G network infrastructure under a NaaS solution, without the need for upfront CAPEX costs. 5G Fixed hardware will be purchased as a fixed monthly subscription instead of higher upfront capital expenditure for the 5G network expansion plans over future years.

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

Matters subsequent to the end of the half-year

No matters or circumstances have arisen since 31 December 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.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



David Buckingham
Non-Executive Chairman

28th February 2024
Perth



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

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

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

A handwritten signature in black ink, appearing to read 'J Prue', is written in a cursive style.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth
28 February 2024

PENTANET LTD**Consolidated statement of profit or loss and other comprehensive income****For the half-year ended 31 December 2023**

| | | Consolidated | |
|--|-------------|---------------------|--------------------|
| | Note | 31 Dec 2023 | 31 Dec 2022 |
| | | \$'000 | \$'000 |
| Revenue | 3 | 10,402 | 9,717 |
| Other income | | 375 | 240 |
| Expenses | 4 | | |
| Network, carrier and hardware expenses | | (5,532) | (5,630) |
| Employee benefits expense | | (3,622) | (4,072) |
| Share based payments | 20 | (47) | - |
| Other expenses | | (1,817) | (2,803) |
| Loss before finance costs, depreciation and amortisation and impairment expenses | | <u>(241)</u> | <u>(2,548)</u> |
| Finance costs | 4 | (363) | (163) |
| Depreciation, amortisation and impairment expense | 4 | <u>(2,144)</u> | <u>(2,061)</u> |
| Loss before income tax expense for the half-year | | <u>(2,748)</u> | <u>(4,772)</u> |
| Income tax expense | | - | - |
| Loss after income tax for the half-year attributable to the owners of Pentanet Ltd | | <u>(2,748)</u> | <u>(4,772)</u> |
| Other comprehensive income | | | |
| Changes in fair value of equity investments at fair value through other comprehensive income | | - | (820) |
| Total comprehensive loss for the half-year attributable to the owners of Pentanet Ltd | | <u>(2,748)</u> | <u>(5,592)</u> |
| | | Cents | Cents |
| Basic loss per share attributable to owners of Pentanet Ltd | 18 | (0.01) | (0.02) |

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

PENTANET LTD
Consolidated statement of financial position
As at 31 December 2023

| | Note | Consolidated 31 Dec 2023 \$'000 | 30 June 2023 \$'000 |
|---|------|---------------------------------------|------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 6,345 | 7,368 |
| Trade and other receivables | 6 | 848 | 3,875 |
| Inventories | | 350 | 406 |
| Deposits and prepayments | | 431 | 483 |
| Total current assets | | <u>7,974</u> | <u>12,132</u> |
| Non-current assets | | | |
| Right-of-use assets | 7 | 5,787 | 5,171 |
| Plant and equipment | 8 | 19,611 | 19,647 |
| Intangible assets | 9 | 7,631 | 7,967 |
| Financial assets at fair value through other comprehensive income | 10 | 3,180 | 3,180 |
| Total non-current assets | | <u>36,209</u> | <u>35,965</u> |
| Total assets | | <u>44,183</u> | <u>48,097</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 2,569 | 3,870 |
| Contract liabilities | | 138 | 76 |
| Employee benefits | | 373 | 338 |
| Lease liabilities | 12 | 835 | 509 |
| Other liabilities | 13 | 2,151 | 2,313 |
| Borrowings | | 838 | 796 |
| Total current liabilities | | <u>6,904</u> | <u>7,902</u> |
| Non-current liabilities | | | |
| Contract liabilities | | 3 | 5 |
| Lease liabilities | 12 | 5,346 | 4,983 |
| Other liabilities | 13 | 1,915 | 2,242 |
| Borrowings | | 1,603 | 1,810 |
| Total non-current liabilities | | <u>8,867</u> | <u>9,040</u> |
| Total liabilities | | <u>15,771</u> | <u>16,942</u> |
| Net assets | | <u>28,412</u> | <u>31,155</u> |
| Equity | | | |
| Share capital | 14 | 63,289 | 63,331 |
| Reserves | | 5,615 | 5,568 |
| Accumulated losses | | (39,672) | (36,924) |
| Accumulated other comprehensive income | | (820) | (820) |
| Total equity | | <u>28,412</u> | <u>31,155</u> |

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

PENTANET LTD
Consolidated statement of changes in equity
For the half-year ended 31 December 2023

| Consolidated | Issued capital \$'000 | Reserves \$'000 | Accumulated losses \$'000 | Accumulated Other comprehensive income/(loss) \$'000 | Total Equity \$'000 |
|--|----------------------------------|----------------------------|--|---|--------------------------------|
| Balance at 1 July 2022 | 57,348 | 5,568 | (29,355) | - | 33,561 |
| Loss after income tax expense for the half-year | - | - | (4,772) | - | (4,772) |
| Other comprehensive loss for the half-year, net of tax | - | - | - | (820) | (820) |
| Total comprehensive loss for the half-year | - | - | (4,772) | (820) | (5,592) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Issue of shares | - | - | - | - | - |
| Share issue costs | - | - | - | - | - |
| Share-based payments | - | - | - | - | - |
| Balance at 31 December 2022 | 57,348 | 5,568 | (34,127) | (820) | 27,969 |

| Consolidated | Issued capital \$'000 | Reserves \$'000 | Accumulated losses \$'000 | Accumulated Other comprehensive income/(loss) \$'000 | Total Equity \$'000 |
|--|----------------------------------|----------------------------|--|---|--------------------------------|
| Balance at 1 July 2023 | 63,331 | 5,568 | (36,924) | (820) | 31,155 |
| Loss after income tax expense for the half-year | - | - | (2,748) | - | (2,748) |
| Other comprehensive loss for the half-year, net of tax | - | - | - | - | - |
| Total comprehensive loss for the half-year | - | - | (2,748) | - | (2,748) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Issue of shares | - | - | - | - | - |
| Share issue costs | (42) | - | - | - | (42) |
| Share-based payments | - | 47 | - | - | 47 |
| Balance at 31 December 2023 | 63,289 | 5,615 | (39,672) | (820) | 28,412 |

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

PENTANET LTD
Consolidated statement of cash flows
For the half-year ended 31 December 2023

| | Note | Consolidated 31 Dec 2023 \$'000 | 31 Dec 2022 \$'000 |
|--|-------------|--|-------------------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 10,516 | 9,744 |
| Payments to suppliers and employees (inclusive of GST) | | (10,099) | (12,111) |
| Cash generated/(used in) operations | | <u>417</u> | <u>(2,367)</u> |
| Interest received | | 27 | 7 |
| Interest and other finance costs paid | | (363) | (145) |
| Net cash generate/(used in) operating activities | | <u>81</u> | <u>(2,505)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (1,381) | (2,242) |
| Payments for intangible assets | | (1,794) | (1,814) |
| Reclassification of term deposit to cash and cash equivalents | | 2,500 | - |
| Net cash used in investing activities | | <u>(675)</u> | <u>(4,056)</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (166) | (121) |
| Payments of lease liabilities | | (228) | (579) |
| Share issue transaction cost | | (35) | - |
| Net cash used in financing activities | | <u>(429)</u> | <u>(700)</u> |
| Net decrease in cash and cash equivalents | | (1,023) | (7,261) |
| Cash and cash equivalents at the beginning of the financial half-year | | 7,368 | 13,388 |
| Cash and cash equivalents at the end of the financial half-year | | <u>6,345</u> | <u>6,127</u> |

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

PENTANET LTD
Consolidated notes to the financial statements
31 December 2023

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Going Concern

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the period ended 31 December 2023 the Group held cash and cash equivalents of \$6.3m (30 June 2023: \$7.4m), a positive working capital position of \$1m (30 June 2023: \$4.2m), recorded a net loss of \$2.7m (31 December 2022: \$5.6m), had net cash inflow from operating activities of \$0.08m (31 December 2022: net cash outflow of \$2.5m) and had net cash outflow from investing activities of \$3.2m excluding realised term deposit of \$2.5m (31 December 2022: \$4.1m).

These conditions indicate a material uncertainty that may cast a significant doubt about the Consolidated Entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors remain committed to the long-term business plan that is contributing to improved results as the business progresses from start-up phase into a more established business operation. The Directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- Higher growth in revenues from the recently launched 5G broadband product and GeForce NOW gaming products launched in the first half of FY24;
- Further active management of discretionary expenditure in line with the funds available to the Group;
- Lower capital expenditure costs following 5G Tower upgrades and launch to the network to enable new products together with the opportunity to finance future capital infrastructure investment through alternative financing arrangements; and
- The potential to raise additional working capital through the issue of debt or equity securities.

Should the Group not be able to achieve any of the above, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The consolidated entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

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

Note 2. Operating segments

Identification of reportable operating segments

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

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

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 2. Operating segments (continued)

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 two main business units in which the group operates. Specifically, the group's reportable segments under AASB 8 are as follows:

- Internet and related services
- Gaming technology within Australia

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

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 2. Operating segments (continued)

Operating revenues and results

| | Internet Services \$'000 | Gaming and technology services \$'000 | Total \$'000 |
|--|---|--|-------------------------|
| Consolidated – 31 December 2023 | | | |
| Revenue | | | |
| Total revenue | 9,513 | 889 | 10,402 |
| Other revenue | 32 | 343 | 375 |
| Total segment revenue | <u>9,545</u> | <u>1,232</u> | <u>10,777</u> |
| EBITDA | | | |
| Depreciation and amortisation | (1,781) | (363) | (2,144) |
| Finance costs | (277) | (86) | (363) |
| Loss before income tax expense | (2,181) | (567) | (2,748) |
| Income tax expense | - | - | - |
| Loss after income tax expense for the half-year attributable to the owners of Pentanet Ltd | <u>(2,181)</u> | <u>(567)</u> | <u>(2,748)</u> |
| Changes in fair value of equity investments at fair value through other comprehensive income | - | - | - |
| | <u>(2,181)</u> | <u>(567)</u> | <u>(2,748)</u> |
| Consolidated – 31 December 2022 | | | |
| Revenue | | | |
| Total revenue | 9,245 | 472 | 9,717 |
| Other revenue | 16 | 224 | 240 |
| Total segment revenue | <u>9,261</u> | <u>696</u> | <u>9,957</u> |
| EBITDA | | | |
| Depreciation and amortisation | (1,799) | (262) | (2,061) |
| Finance costs | (163) | - | (163) |
| Loss before income tax expense | (3,805) | (967) | (4,772) |
| Income tax expense | - | - | - |
| Loss after income tax expense for the half-year attributable to the owners of Pentanet Ltd | <u>(3,805)</u> | <u>(967)</u> | <u>(4,772)</u> |
| Changes in fair value of equity investments at fair value through other comprehensive income | - | (820) | (820) |
| Total comprehensive loss for the half-year attributable to the owners of Pentanet Ltd | <u>(3,805)</u> | <u>(1,787)</u> | <u>(5,592)</u> |
| Total segment assets | | | |
| 31 December 2023 | 32,907 | 11,278 | 44,185 |
| 30 June 2023 | <u>36,604</u> | <u>11,495</u> | <u>48,099</u> |
| Total segment liabilities | | | |
| 31 December 2023 | 13,386 | 2,385 | 15,771 |
| 30 June 2023 | <u>14,480</u> | <u>2,462</u> | <u>16,942</u> |

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 3. Revenue

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$'000 | \$'000 |
| <i>Revenue from contracts with customers</i> | | |
| Rendering a service – telecommunication service | 159 | 320 |
| Rendering a service – recurring network revenues | 9,135 | 8,686 |
| Gaming and gaming technology services | 889 | 472 |
| Sale of goods | 219 | 239 |
| Total revenue | 10,402 | 9,717 |

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

Note 4. Expenses

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$'000 | \$'000 |
| Loss before tax includes the following specific expenses | | |
| Network, carrier and hardware expenses | 5,532 | 5,630 |
| Depreciation | | |
| Leasehold improvements | 135 | 46 |
| Plant and equipment | 171 | 200 |
| Right of use assets | 436 | 575 |
| Network infrastructure | 1,025 | 841 |
| Amortisation | 377 | 399 |
| Total Depreciation, amortisation and impairment | 2,144 | 2,061 |
| Finance costs | 363 | 163 |
| Employee benefits expense excluding superannuation | | |
| Employee benefits expense excluding superannuation | 3,284 | 3,730 |
| Superannuation expense | | |
| Defined contribution superannuation expense | 338 | 342 |
| Advertising and promotion | 601 | 1,029 |
| Legal and professional services | 114 | 215 |
| Operating expenses | 1,102 | 1,559 |
| Total other expenses | 1,817 | 2,803 |

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 5. Cash and cash equivalents

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Cash at bank | 3,504 | 7,041 |
| Term deposits | 2,841 | 327 |
| Total cash and cash equivalents | <u>6,345</u> | <u>7,368</u> |

Note 6. Trade and other receivables

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Trade receivables | 546 | 413 |
| Less: allowance for expected credit losses | (29) | (29) |
| | <u>517</u> | <u>384</u> |
| Other receivables ¹ | 331 | 3,491 |
| Total trade and other receivables | <u>847</u> | <u>3,875</u> |

Included in other receivables at 30 June 2023 is a \$2.5m term deposit. This has subsequently been reclassified to cash and cash equivalents with a maturity date of 8 January 2024.

Note 7. Non-current assets – right of use assets

| | Consolidated | |
|----------------------------------|---------------------|---------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Office lease | 497 | 335 |
| Less: Accumulated depreciation | (170) | (78) |
| | <u>327</u> | <u>257</u> |
| Network infrastructure – at cost | 6,987 | 6,110 |
| Less: Accumulated depreciation | (1,527) | (1,196) |
| | <u>5,460</u> | <u>4,914</u> |
| | <u>5,787</u> | <u>5,171</u> |

Reconciliation:

| Consolidated | Network Infrastructure | Office Lease | Total |
|-----------------------------|-----------------------------------|-------------------------|---------------------|
| Balance at 1 July 2023 | 4,914 | 257 | 5,171 |
| Additions | 891 | 161 | 1,052 |
| Depreciation expense | (345) | (91) | (436) |
| Balance at 31 December 2023 | <u>5,460</u> | <u>327</u> | <u>5,787</u> |

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 8. Non-current assets - property, plant and equipment

| | Consolidated | |
|----------------------------------|----------------------|----------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Leasehold improvements - at cost | 1,101 | 1,098 |
| Less: Accumulated depreciation | <u>(352)</u> | <u>(217)</u> |
| | <u>749</u> | <u>881</u> |
| Plant and equipment - at cost | 1,810 | 1,725 |
| Less: Accumulated depreciation | <u>(964)</u> | <u>(794)</u> |
| | <u>846</u> | <u>931</u> |
| Network infrastructure - at cost | 22,830 | 21,693 |
| Less: Accumulated depreciation | <u>(4,814)</u> | <u>(3,858)</u> |
| | <u>18,016</u> | <u>17,835</u> |
| | <u>19,611</u> | <u>19,647</u> |

Reconciliations

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

| Consolidated | Leasehold improvements \$'000 | Plant and equipment \$'000 | Network infrastructure \$'000 | Total \$'000 |
|------------------------------------|--|---|--|-------------------------|
| Balance at 1 July 2023 | 881 | 931 | 17,835 | 19,647 |
| Additions | 3 | 95 | 1,365 | 1,463 |
| Disposals | - | (9) | (159) | (168) |
| Depreciation expense | <u>(135)</u> | <u>(171)</u> | <u>(1,025)</u> | <u>(1,331)</u> |
| Balance at 31 December 2023 | <u>749</u> | <u>846</u> | <u>18,016</u> | <u>19,611</u> |

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Notes to the financial statements
31 December 2023

Note 9. Non-current assets - intangibles

| | Consolidated | |
|---|---------------------|---------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Trademarks and design - at cost | 99 | 97 |
| Less: Accumulated amortisation | <u>(13)</u> | <u>(9)</u> |
| | <u>86</u> | <u>88</u> |
| Software - at cost | 455 | 417 |
| Less: Accumulated amortisation | <u>(361)</u> | <u>(332)</u> |
| | <u>94</u> | <u>85</u> |
| Other intangible assets - at cost | 557 | 557 |
| Less: Accumulated amortisation and impairment | <u>(65)</u> | <u>(60)</u> |
| | <u>492</u> | <u>497</u> |
| Licenses - at cost | 8,620 | 8,620 |
| Less: Accumulated amortisation | <u>(1,661)</u> | <u>(1,323)</u> |
| | <u>6,959</u> | <u>7,297</u> |
| | <u>7,631</u> | <u>7,967</u> |

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

Reconciliations

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

| Consolidated | Trademark and design \$'000 | Software \$'000 | Other Intangible assets \$'000 | Licenses \$'000 | Total \$'000 |
|------------------------------------|--|----------------------------|---|----------------------------|-------------------------|
| Balance at 1 July 2023 | 88 | 85 | 497 | 7,297 | 7,967 |
| Additions | 2 | 39 | - | - | 41 |
| Impairment | - | - | - | - | - |
| Amortisation expense | <u>(4)</u> | <u>(30)</u> | <u>(5)</u> | <u>(338)</u> | <u>(377)</u> |
| Balance at 31 December 2023 | <u>86</u> | <u>94</u> | <u>492</u> | <u>6,959</u> | <u>7,631</u> |

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 10. Fair value measurement of financial instruments

The group holds the following financial instruments:

| | Notes | Consolidated | |
|---|-------|-----------------------|-----------------------|
| | | 31 Dec 2023 \$'000 | 30 Jun 2023 \$'000 |
| Financial Assets | | | |
| Trade and other receivables | | 848 | 3,875 |
| Cash and cash equivalents | | 6,345 | 7,368 |
| Financial assets at fair value through other comprehensive income | 9a | 3,180 | 3,180 |
| | | <u>10,373</u> | <u>14,423</u> |

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

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

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

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

| | Consolidated | |
|---------------------------|-----------------------|-----------------------|
| | 31 Dec 2023 \$'000 | 30 Jun 2023 \$'000 |
| Non-current assets | | |
| Unlisted securities | | |
| Canopus Networks Pty Ltd | 3,180 | 3,180 |
| | <u>3,180</u> | <u>3,180</u> |

(ii) Acquisition of equity investment:

On 20 December 2021, Pentanet acquired a fully diluted 13.4% interest in Canopus Networks Pty Ltd for \$4,000,000. Pentanet is entitled to appoint one director with Mr. Stephen Cornish providing his consent to act as a director of Canopus Networks Pty Ltd. At 31 December 2023 the interest held by Pentanet in Canopus remained 13.4%.

(b) Fair value measurement

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

Fair value hierarchy

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

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

| Consolidated at 31 December 2023 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| Financial Assets | | | | |
| Financial assets at fair value through other comprehensive income (FVOCI) | | | | |
| Unlisted equity securities | - | - | 3,180 | 3,180 |
| Total Assets | <u>-</u> | <u>-</u> | <u>3,180</u> | <u>3,180</u> |

PENTANET LTD
Notes to the financial statements
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During the year ending 30 June 2023, Canopus Network Pty Ltd concluded a successful capital raise from investors at \$4.20 per share. Consequently, the Company adjusted the fair value of its investment, reflecting a reduction totaling \$820,433. Following a review of Canopus Network Pty Ltd's FY24 Q2 investor update, which outlined strategic developments, technological progress, and a strong financial standing, management affirms the current fair value assessment.

There were no transfers between levels during the financial half-year.

Note 11. Current liabilities – trade and other payables

| | Consolidated | |
|---------------------------------------|---------------------|---------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Trade payables | 1,412 | 2,904 |
| BAS payable | 240 | 60 |
| Other payables | 917 | 906 |
| Total trade and other payables | <u>2,569</u> | <u>3,870</u> |

Note 12. Lease liabilities

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Current | | |
| Lease liability | <u>835</u> | <u>509</u> |
| Non-current | | |
| Lease liability | <u>5,346</u> | <u>4,983</u> |
| Total lease liabilities | <u>6,181</u> | <u>5,492</u> |

Note 13. Other liabilities

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| Current | | |
| Term purchases | 423 | 590 |
| Intangible asset finance | <u>1,728</u> | <u>1,723</u> |
| Total current other liabilities | <u>2,151</u> | <u>2,313</u> |
| Non-current | | |
| Term purchases | 188 | 388 |
| Intangible asset finance | <u>1,727</u> | <u>1,854</u> |
| Total non-current other liabilities | <u>1,915</u> | <u>2,242</u> |
| Total other liabilities | <u>4,066</u> | <u>4,555</u> |

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 14. Equity – issued capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 | 31 Dec 2023 | 30 Jun 2023 |
| | Shares | Shares | \$'000 | \$'000 |
| Ordinary shares - fully paid | <u>373,727,213</u> | <u>373,727,213</u> | <u>63,289</u> | <u>63,331</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$'000 |
|-------------------------------|------------------|--------------------|--------------------|---------------|
| Balance | 1 July 2023 | 373,727,213 | | 63,331 |
| Share issue transaction costs | - | - | - | (42) |
| Balance | 31 December 2023 | <u>373,727,213</u> | | <u>63,289</u> |

Ordinary shares

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

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

Share buy-back

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

Note 15. Contingent Assets

There are no contingent assets at 31 December 2023.

Note 16. Contingent liabilities

Pentamet has guarantee facilities of \$404,698 (30 June 2023: \$404,698) available for utilisation. There are no material changes to the contingent liabilities from the 30 June 2023 Financial Statements.

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 17. Commitments

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

Pursuant to the terms of the NVIDIA Agreement, the Company has the right to purchase up to 72 GFN Game Servers from NVIDIA (or its approved third party vendors) in a staggered approach. 36 GFN Game Servers make up a GFN Pod. The NVIDIA Agreement does not restrict the Company from purchasing more than two GFN Pods from NVIDIA over the course of its term. The Company completed the purchase of 36 GFN Game Servers in financial year 2022.

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, it will automatically renew for further 1 year periods, indefinitely. The NVIDIA Agreement can be terminated by either party for the other's (uncertifiable or notified but unrectified) material breach.

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

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 purchased the next-generation cloud gaming infrastructure by purchasing the RTX 3080 SuperPODs funded by the 5-year term Westpac Banking Corporation loan facilities.

Note 18. Related party transactions

Parent entity

Pentanet Ltd is the parent entity.

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

| Name of subsidiary | Principle place of business | Ownership interest held by the group | |
|---------------------|-----------------------------|--------------------------------------|------|
| | | 2023 | 2022 |
| | | % | % |
| Pentanet.GG Pty Ltd | Perth, Australia | 100 | 100 |
| Pentatech Pty Ltd | Perth, Australia | 100 | 100 |
| Pentacomm Pty Ltd | Perth, Australia | 100 | 100 |

Directors are listed in the directors' report.

Pentanet Ltd spent \$36,766 with The Cornish Property Trust during the half-year on commercial terms and market rates, which is a related party of a director related entity (Stephen Cornish and Timothy Cornish), with no balance relating to this fee outstanding as at 31 December 2023.

Pentanet Ltd received \$4,500 from FFF Australia Pty Ltd during the half-year on commercial terms and market rates, which is a related party of a director related entity (Stephen Cornish and Timothy Cornish), with no balance relating to this fee outstanding as at 31 December 2023.

There have been no changes to the related party arrangements since 30 June 2023.

Loans to/from related parties

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

PENTANET LTD
Notes to the financial statements
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On the 24th of November 2023, Pentanet Ltd issued the following options to key management personnel:

| Key management personnel | Capacity | Tranche 1 | Tranche 2 | Tranche 3 | Total option granted |
|---------------------------------|-------------------------|------------------|------------------|------------------|------------------------------|
| Stephen Cornish | Managing director | 1,373,418 | 2,544,727 | - | 3,918,145 |
| Timothy Cornish | Executive director | 418,387 | 775,206 | - | 1,193,593 |
| Dominic O'Hanlon | Non-executive director | - | - | 1,000,000 | 1,000,000 |
| Mart-Marie Derman | Chief financial officer | 415,162 | 769,231 | - | 1,184,393 |
| | | 2,206,967 | 4,089,164 | 1,000,000 | 7,296,131¹ |

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

(1) Options held at 31 December 2023

| Key management personnel | Capacity | Fair value at grant date: Tranche 1 | Fair value at grant date: Tranche 2 | Fair value at grant date: Tranche 3 | Total fair value of option granted |
|---------------------------------|-------------------------|--|--|--|---|
| | | \$ | \$ | \$ | \$ |
| Stephen Cornish | Managing director | 35,022 | 69,726 | - | 104,748 |
| Timothy Cornish | Executive director | 10,669 | 21,241 | - | 31,910 |
| Dominic O'Hanlon | Non-executive director | - | - | 25,726 | 25,726 |
| Mart-Marie Derman | Chief financial officer | 10,587 | 21,077 | - | 31,664 |
| | | 56,278 | 112,044 | 25,726 | 194,048 |

For the options granted during the half-year ended 31 December 2023, the Black Scholes valuation model was used to determine the fair value at grant date using the following inputs:

| Tranche | Grant date | Expiry date | Share price at grant date \$ | Exercise price \$ | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date \$ |
|----------------|-------------------|--------------------|-------------------------------------|--------------------------|----------------------------|-----------------------|--------------------------------|------------------------------------|
| Tranche 1 | 24/11/2023 | 30/06/2026 | 0.06 | 0.093 | 85% | 0 | 4.25% | 0.0255 |
| Tranche 2 | 24/11/2023 | 30/06/2027 | 0.06 | 0.124 | 85% | 0 | 4.24% | 0.0274 |
| Tranche 3 | 24/11/2023 | 24/11/2026 | 0.06 | 0.12 | 85% | 0 | 4.25% | 0.0215 |

1/3 of the Options will vest on 30 June 2025, subject and conditional upon the holder being employed by Company on that date; and 2/3 of the Options will vest on 30 June 2026, subject and conditional upon the holder being employed by the Company on that date.

On the 24th of November 2023, Pentanet Ltd issued the following LTI performance rights to executives and directors:

| Key management personnel | Capacity | Tranche 1 | Tranche 2 | Total performance rights granted |
|---------------------------------|-------------------------|------------------|------------------|---|
| Stephen Cornish | Managing director | 737,427 | 737,427 | 1,474,854 |
| Timothy Cornish | Executive director | 231,351 | 231,351 | 462,702 |
| Mart-Marie Derman | Chief financial officer | 389,517 | 389,517 | 779,034 |
| | | 1,358,295 | 1,358,295 | 2,716,590 |

| Key management personnel | Capacity | Fair value at grant date: Tranche 1 | Fair value at grant date: Tranche 2 | Total fair value of option granted |
|---------------------------------|-------------------------|--|--|---|
| | | \$ | \$ | \$ |
| Stephen Cornish | Managing director | 44,246 | 44,246 | 88,492 |
| Timothy Cornish | Executive director | 13,881 | 13,881 | 27,762 |
| Mart-Marie Derman | Chief financial officer | 23,371 | 23,371 | 46,742 |
| | | 81,498 | 81,498 | 162,996 |

PENTANET LTD
Notes to the financial statements
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For the performance rights granted during the half-year ended 31 December 2023, the share price at grant date was used to determine the fair value at grant date using the following inputs

| | Grant date | Vesting Date | Expiry date | Share price at grant date \$ | Probability of Vesting |
|-----------|-------------------|---------------------|--------------------|-------------------------------------|-------------------------------|
| Tranche 1 | 24/11/2023 | 31/10/2025 | 30/06/2026 | 0.06 | 100% |
| Tranche 2 | 24/11/2023 | 31/10/2026 | 30/06/2026 | 0.06 | 100% |

| Tranche | Weight | Performance Conditions |
|----------------|---------------|--|
| 1 | 30% | Group revenue for the year ending 30 June 2025 meeting or exceeding the amount budgeted and approved by the Board. |
| 1 | 20% | Gaming segment revenue for the year ending 30 June 2025 meeting or exceeding the amount budgeted and approved by the Board. |
| 1 | 30% | EBITDA for the year ending 30 June 2025 meeting or exceeding the amount budgeted and approved by the Board |
| 1 | 20% | Minimum cash balance meeting or exceeding the amount budgeted and approved by the Board, at all times during the year ending 30 June 2025. |
| 2 | 30% | Group revenue for the year ending 30 June 2026 meeting or exceeding the amount budgeted and approved by the Board. |
| 2 | 20% | Gaming segment revenue for the year ending 30 June 2026 meeting or exceeding the amount budgeted and approved by the Board. |
| 2 | 30% | EBITDA for the year ending 30 June 2026 meeting or exceeding the amount budgeted and approved by the Board |
| 2 | 20% | Minimum cash balance meeting or exceeding the amount budgeted and approved by the Board, at all times during the year ending 30 June 2026. |

PENTANET LTD
Notes to the financial statements
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Note 19. Loss per share

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$'000 | \$'000 |
| <i>Loss per share for loss from continuing operations</i> | | |
| Loss after income tax | (2,748) | (7,365) |
| Loss after income tax attributable to the owners of Pentanet Limited | <u>(2,748)</u> | <u>(7,365)</u> |
| <i>Weighted number of ordinary shares</i> | | |
| Weighted average number of ordinary shares used in calculating basic EPS | <u>373,727,213</u> | <u>309,317,021</u> |
| | Cents | Cents |
| Basic (loss) per share attributable to owners of Pentanet Ltd | (0.01) | (0.02) |

Note 20. Share-based payments

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:

| Grant date | Expiry date | Vesting 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 |
| 24/11/2023 | 30/06/2026 | 30/06/2025 | 0.093 | - | 3,405,523 | - | - | 3,405,523 |
| 24/11/2023 | 30/06/2027 | 30/06/2026 | 0.124 | - | 6,309,900 | - | - | 6,309,900 |
| 24/11/2023 | 24/11/2026 | 24/11/2023 | 0.12 | - | 1,000,000 | - | - | 1,000,000 |
| Balance as at 31 December 2023 | | | | <u>29,597,000</u> | <u>10,715,423</u> | - | - | <u>40,312,423</u> |

The weighted average options exercise price of all unexercised options on issue at the end of 31 December 2023 was \$0.32

For the options granted during the half-year ended 31 December 2023, the Black Scholes valuation model was used to determine the fair value at grant date using the following inputs:

| Tranche | Grant date | Expiry date | Share price at grant date \$ | Exercise price \$ | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date \$ |
|----------------|-------------------|--------------------|-------------------------------------|--------------------------|----------------------------|-----------------------|--------------------------------|------------------------------------|
| Tranche 1 | 24/11/2023 | 30/06/2026 | 0.06 | 0.093 | 85% | 0 | 4.25% | 0.0255 |
| Tranche 2 | 24/11/2023 | 30/06/2027 | 0.06 | 0.124 | 85% | 0 | 4.24% | 0.0274 |

1/3 of the Options will vest on 30 June 2025, subject and conditional upon the holder being employed by Company on that date; and 2/3 of the Options will vest on 30 June 2026, subject and conditional upon the holder being employed by the Company on that date.

PENTANET LTD
Notes to the financial statements
31 December 2023

Note 20. Share-based payments (continued)

During the period ending 31 December 2023, LTI performance rights were issued to directors and senior management following approval by shareholders at the 2023 Annual General Meeting.

Details of Performance Rights outstanding under the plans at balance date are as follows;

| 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 |
|--------------------------------|--------------------|--------------------------|---|----------------|------------------|----------------------------------|---|
| 24/11/2023 | 30/06/2026 | - | - | 2,482,812 | - | - | 2,482,812 |
| 24/11/2023 | 30/06/2026 | - | - | 2,482,812 | - | - | 2,482,812 |
| Balance as at 31 December 2023 | | | - | 4,965,624 | - | - | 4,965,624 |

The weighted average fair value of performance rights granted during the period to 31 December 2023 is \$0.06.

For the performance rights granted during the half-year ended 31 December 2023, the Black Scholes valuation model was used to determine the fair value at grant date using the following inputs:

| Tranche | Grant date | Expiry date | Vesting date | Share price at grant date \$ | Probability of vesting |
|----------------|-------------------|--------------------|---------------------|-------------------------------------|-------------------------------|
| 1 | 24/11/2023 | 30/06/2026 | 31/10/2025 | 0.06 | 100% |
| 2 | 24/11/2023 | 30/06/2026 | 31/10/2026 | 0.06 | 100% |

| Tranche | Weight | Performance Conditions |
|----------------|---------------|--|
| 1 | 30% | Group revenue for the year ending 30 June 2025 meeting or exceeding the amount budgeted and approved by the Board. |
| 1 | 20% | Gaming segment revenue for the year ending 30 June 2025 meeting or exceeding the amount budgeted and approved by the Board. |
| 1 | 30% | EBITDA for the year ending 30 June 2025 meeting or exceeding the amount budgeted and approved by the Board |
| 1 | 20% | Minimum cash balance meeting or exceeding the amount budgeted and approved by the Board, at all times during the year ending 30 June 2025. |
| 2 | 30% | Group revenue for the year ending 30 June 2026 meeting or exceeding the amount budgeted and approved by the Board. |
| 2 | 20% | Gaming segment revenue for the year ending 30 June 2026 meeting or exceeding the amount budgeted and approved by the Board. |
| 2 | 30% | EBITDA for the year ending 30 June 2026 meeting or exceeding the amount budgeted and approved by the Board |
| 2 | 20% | Minimum cash balance meeting or exceeding the amount budgeted and approved by the Board, at all times during the year ending 30 June 2026. |

Note 21. Events after the reporting period

No matters or circumstances have arisen since 31 December 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 periods.

PENTANET LTD
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



David Buckingham
Non-Executive Director

28th February 2024
Perth



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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pentanet Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Pentanet Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO
A handwritten signature in black ink, appearing to read 'J Prue'.

Jarrad Prue

Director

Perth, 28 February 2024