



PENTANET

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# Half-Year Report

APPENDIX 4D  
31 DECEMBER 2020

Pentanet Limited  
ACN 617 506 279



## 1. COMPANY DETAILS

Name of entity:	PENTANET LTD
ABN:	29 617 506 279
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

## 2. RESULTS FOR ANNOUNCEMENT TO MARKET

				\$
Revenue from ordinary activities	up	164%	to	4,757,355
EBITDA <sup>1</sup>	down	154%	to	(6,564,644)
Loss from ordinary activities after tax attributable to the owners of Pentanet Limited	up	265%	to	(11,155,048)
Loss for the half-year attributable to the owners of Pentanet Limited	up	265%	to	(11,155,048)

### Dividends

No dividends were paid during the half-year, and the directors have not recommended a dividend in respect of the 2021 financial period (2020: Nil.)

### Review of Operations

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$11,155,048 (31 December 2019: \$3,056,451).

The half-year loss of \$11.2m includes share-based payments of \$4.5m, finance cost relating to the exercise of convertible note options of \$3.8m and IPO related cost of \$0.4m. The consolidated entity maintained a healthy growth trajectory in revenue and subscribers in the economic backdrop of the Coronavirus (COVID-19) pandemic. The key organisational focus remains to expand the fixed wireless network and increase the fixed wireless service offering. The wireless product offering yields a higher gross margin and improved customer experience in comparison to customers on the NBN.

The impact of the COVID-19 pandemic is ongoing. COVID-19 had a positive impact on the provision of internet and associated telecommunications products and services with the demand for Pentanet's services increasing during the peak of the pandemic when COVID-19 restrictions were imposed. Telecommunication services remain an essential service, and we can continue to operate under and in accordance with restrictions imposed.

Existing credit management policies have been reviewed in light of the pandemic, and the consolidated entity continues to monitor recoverability of debtors closely. No single customer relationship is material to the consolidated entity. Pentanet will remain conservative in assessing current and forecast credit conditions when determining the default rates on debtors balances.

On 7 January 2021, the Consolidated Entity issued 89,940,000 fully paid ordinary shares at an issue price of \$0.25 (25 cents) per share under an initial public offer (IPO).

Please refer to Pentanet Ltd's prospectus published on 11 December 2020 outlining the historical audited financial performance of the Consolidated Entity in Section 6. Financial performance and the ongoing strategic and operational plans and performance objectives are outlined in section 2.9 Strategy, plans and objectives.

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

### 3. NET TANGIBLE ASSETS

	Reporting Period Cents	Previous Period Cents
Net tangible assets per ordinary security	0.02	0.01

### 4. CONTROL GAINED OVER ENTITIES

Not applicable

### 5. LOSS OF CONTROL OVER ENTITIES

Not applicable

### 6. DETAILS OF ASSOCIATE AND JOINT VENTURE ENTITIES

Not applicable

### 7. AUDIT QUALIFICATION OR REVIEW

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

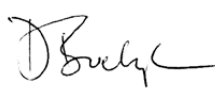
The financial statements were subject to a review by the auditors, and the review report is attached as part of the Interim Report.

### 8. ATTACHMENTS

*Details of attachments (if any):*

The Interim Report of Pentanet Limited for the half-year ended 31 December 2020 is attached.

### 9. SIGNED

Signed  \_\_\_\_\_

David Buckingham  
 Non-Executive Chairman  
 17 February 2021  
 Perth



PENTAMET

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# Half-Year Report

31 DECEMBER 2020

Pentamet Limited  
ACN 617 506 279



## INTERIM FINANCIAL REPORT - 31 DECEMBER 2020

This interim financial report does not include all of 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 2020.

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### GENERAL INFORMATION

The financial statements cover Pentanet Limited as a consolidated entity consisting of Pentanet Limited 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 Limited's functional and presentation currency.

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 February 2021.

## CORPORATE DIRECTORY 31 DECEMBER 2020

### Directors

David Buckingham  
Stephen Cornish  
Timothy Cornish  
Dalton Gooding  
Craig Amos

Non-Executive Chairman  
Managing Director  
Executive Director  
Non-Executive Director  
Non-Executive Director

### Company Secretary

Patrick Holywell

### 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, 126 Phillip Street, Sydney, New South Wales 2000

### Auditors

BDO Audit (WA) Pty Ltd  
Level 1, 38 Station Street, Subiaco WA 6008

### Stock Exchange Listing

Pentanet Limited shares are listed on the Australian Securities Exchange (ASX code: 5GG)

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## DIRECTORS' REPORT 31 DECEMBER 2020

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 2020.

### Directors

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

David Buckingham (appointed 11 September 2020 – Chairman)

Dalton Gooding (appointed 20 December 2018)

Stephen Cornish (appointed 22 February 2017)

Timothy Cornish (appointed 22 February 2017)

Craig Amos (appointed 13 November 2018)

### 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.

### Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$11,155,048 (31 December 2019: \$3,056,451).

The half-year loss of \$11.2m includes share-based payments of \$4.5m, finance cost relating to the exercise of convertible note options of \$3.8m and IPO related cost of \$0.4m. The consolidated entity maintained a healthy growth trajectory in revenue and subscribers in the economic backdrop of the COVID-19 pandemic. The key organisational focus remains to expand the fixed wireless network and increase the fixed wireless service offering. The wireless product offering yields a higher gross margin and improved customer experience in comparison to customers on the NBN.

The impact of the COVID-19 pandemic is ongoing. COVID-19 had a positive impact on the provision of internet and associated telecommunications products and services with the demand for Pentanet's services increasing during the peak of the pandemic when COVID-19 restrictions were imposed. Telecommunication services remains an essential service, and we can continue to operate under and in accordance with restrictions imposed.

Existing credit management policies have been reviewed in light of the pandemic, and the consolidated entity continues to monitor recoverability of debtors closely. No single customer relationship is material to the consolidated entity. Pentanet will remain conservative in assessing current and forecast credit conditions when determining the default rates on debtors balances.

On 7 January 2021, the Consolidated Entity issued 89,940,000 fully paid ordinary shares at an issue price of \$0.25 (25 cents) per share under an initial public offer (IPO).

Please refer to the Pentanet Ltd prospectus published on 11th of December 2020 outlining the historical audited financial performance of the Consolidated Entity in Section 6. Financial performance and the ongoing strategic and operational plans and performance objectives as outlined in section 2.9 Strategy, plans and objectives.

### Significant changes in the state of affairs

On 27 November 2020, all convertible notes on issue (plus interest accrued) were converted into 20,646,154 shares at \$0.13 per share and 2,741,342 shares at \$0.10 per share. Further to this, there were attaching options which were exercised into 6,256,410 shares at \$0.13 per share.

On 11 December 2020, Pentanet lodged its prospectus with ASIC.

On 7 January 2021, the Consolidated Entity issued 89,940,000 fully paid ordinary shares at an issue price of \$0.25 (25 cents) per share under an initial public offer (IPO).

On 29 January 2021 Pentanet listed on the ASX.

The Company has entered into a binding commercial agreement with NVIDIA (NVIDIA Agreement), whereby NVIDIA and the Company will collaboratively work on delivering a commercialised "GeForce NOW" (GFN) based cloud gaming solution in the Oceania region with an initial deployment in Australia.

NVIDIA Corporation is a NASDAQ-listed multinational technology company and is one of the world's largest manufacturers of graphics processing units for gaming and professional markets. GeForce NOW is the name of NVIDIA's cloud gaming service, which is currently available in over 70 countries. GeForce NOW enables users to stream games from the cloud directly to a laptop, desktop or compatible Android device. It is a subscription-based service which instantly turns nearly any laptop, desktop, Mac, or Android device into a powerful gaming computer, providing users with on-demand access to their game libraries, hosted on nearby servers for the life of the subscription.

The Company issued 160,000 Shares and 29,610,000 Options (Employee Options) to staff, Directors and management of the Company (together, Employee Securities). The Employee Securities have been offered by way of a secondary offer under the prospectus.


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

### 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.

Signed on behalf of the directors:

Signed  \_\_\_\_\_

David Buckingham  
Non-Executive Chairman  
17 February 2021  
Perth



## AUDITOR'S INDEPENDENCE DECLARATION



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Subiaco, WA 6008  
PO Box 700 West Perth WA 6872  
Australia

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

As lead auditor for the review of Pentanet Limited for the half-year ended 31 December 2020, 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.

**Glyn O'Brien**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, 17 February 2021

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

**Pentanet Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2020**

	Note	Consolidated	
		31 Dec 20	31 Dec 19
		\$	\$
<b>Revenue</b>	<b>3</b>	4,757,355	1,805,227
<b>Other income</b>	<b>3</b>	165,974	-
<b>Expenses</b>		-	-
Network, carrier and hardware expenses	4	(2,813,382)	(1,186,930)
Employee benefits expense		(2,771,842)	(1,129,403)
Share based payments	16	(4,459,854)	(995,498)
Other expenses	4	(1,442,895)	(1,076,488)
<b>Earnings before finance costs, tax, depreciation and amortisation expenses (EBITDA)</b>		<b>(6,564,644)</b>	<b>(2,583,092)</b>
Finance costs	4	(3,873,661)	(43,657)
Finance income		150	115
Depreciation, amortisation and impairment expense		(716,893)	(429,817)
<b>Loss before tax</b>		<b>(11,155,048)</b>	<b>(3,056,451)</b>
Income tax expense		-	-
<b>Loss after income tax for the half-year attributable to the owners of Pentanet Ltd</b>		<b>(11,155,048)</b>	<b>(3,056,451)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the half-year attributable to the owners of Pentanet Ltd</b>		<b>(11,155,048)</b>	<b>(3,056,451)</b>
		Cents	Cents
Basic (loss) per share attributable to owners of Pentanet Group	15	(0.09)	(0.03)

*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**  
**For the half-year ended 31 December 2020**

	Note	Consolidated	
		31 Dec 20	30 Jun 20
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	6,282,503	1,273,033
Trade and other receivables		111,394	132,798
Inventories		63,656	78,329
Deposits and prepayments		207,335	255,483
<b>Total current assets</b>		<b>6,664,888</b>	<b>1,739,643</b>
<b>Non-current assets</b>			
Right of use assets	6	1,448,916	1,668,014
Plant and equipment	7	4,063,795	3,828,944
Intangible assets	8	336,390	362,388
<b>Total non-current assets</b>		<b>5,849,101</b>	<b>5,859,346</b>
<b>Total Assets</b>		<b>12,513,989</b>	<b>7,598,989</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		2,283,140	1,270,565
Contract liabilities		126,889	149,056
Employee benefits		154,209	102,330
Loans and borrowings	9	5,824,694	3,269,784
<b>Total current liabilities</b>		<b>8,388,932</b>	<b>4,791,735</b>
Loans and borrowings	9	896,561	1,264,068
Contract liabilities		30,183	27,118
Employee benefits		-	2,364
<b>Total non-current liabilities</b>		<b>926,744</b>	<b>1,293,550</b>
<b>Total Liabilities</b>		<b>9,315,676</b>	<b>6,085,285</b>
<b>Net assets</b>		<b>3,198,313</b>	<b>1,513,704</b>
<b>Equity</b>			
Share capital	10	16,518,677	8,138,873
Reserves		5,567,756	1,107,903
Accumulated losses		(18,888,120)	(7,733,072)
<b>Total Equity</b>		<b>3,198,313</b>	<b>1,513,704</b>

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

**Pentamet Ltd**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2020**

Consolidated	Note	Issued capital	Reserves	Accumulated losses	Total
		\$	\$	\$	\$
<b>Balance at 1 July 2019</b>		<b>5,181,957</b>	<b>-</b>	<b>(2,621,811)</b>	<b>2,560,146</b>
Loss after income tax expense for the half-year		-	-	(3,056,451)	(3,056,451)
Other comprehensive loss for the half-year, net of tax		-	-	-	-
<b>Total comprehensive loss for the half-year</b>		<b>-</b>	<b>-</b>	<b>(3,056,451)</b>	<b>(3,056,451)</b>
Transactions with owners in their capacity as owners:					
Issue of shares	10	3,120,001	-	-	3,120,001
Share issue costs		(163,085)	-	-	(163,085)
Share-based payments		-	995,498	-	995,498
<b>Balance at 31 December 2019</b>		<b>8,138,873</b>	<b>995,498</b>	<b>(5,678,262)</b>	<b>3,456,109</b>

Consolidated	Note	Issued capital	reserves	Accumulated losses	Total
		\$	\$	\$	\$
<b>Balance at 1 July 2020</b>		<b>8,138,873</b>	<b>1,107,903</b>	<b>(7,733,072)</b>	<b>1,513,704</b>
Loss after income tax expense for the half-year		-	-	(11,155,048)	(11,155,048)
Other comprehensive loss for the half-year, net of tax		-	-	-	-
<b>Total comprehensive loss for the half-year</b>		<b>-</b>	<b>-</b>	<b>(11,155,048)</b>	<b>(11,155,048)</b>
Transactions with owners in their capacity as owners:					
Issue of shares	10	8,379,804	-	-	8,379,804
Share issue costs		-	-	-	-
Share-based payments		-	4,459,853	-	4,459,853
<b>Balance at 31 December 2020</b>		<b>16,518,677</b>	<b>4,459,853</b>	<b>(18,888,120)</b>	<b>3,198,313</b>

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

**Pentanet Ltd**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2020**

	Note	Consolidated	
		31 Dec 20	31 Dec 19
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		4,925,631	1,807,543
Payments to suppliers and employees (inclusive of GST)		(5,359,389)	(2,994,525)
<b>Cash generated from operations</b>		<b>(433,758)</b>	<b>(1,186,982)</b>
Interest received		150	115
Interest and other finance costs paid		(50,979)	(43,657)
Income taxes paid		-	-
<b>Net cash from / (used in) operating activities</b>	<b>5</b>	<b>(484,587)</b>	<b>(1,230,524)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(623,201)	(904,092)
Payments for intangible assets		(60,772)	(154,555)
<b>Net cash used in investing activities</b>		<b>(683,973)</b>	<b>(1,058,647)</b>
<b>Cash flow from financing activities</b>			
(Repayment) / Proceeds from borrowings		5,225,409	184,094
Payments of lease liabilities		(285,713)	(267,926)
Proceeds from issue of shares		1,238,334	3,120,001
Share issue transaction cost		-	(163,085)
<b>Net cash from financing activities</b>		<b>6,178,030</b>	<b>2,873,084</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,009,470</b>	<b>583,913</b>
Cash and cash equivalents at beginning of the financial half-year		1,273,033	580,557
<b>Cash and cash equivalents at end of the financial half-year</b>	<b>5</b>	<b>6,282,503</b>	<b>1,164,470</b>

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

**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 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 2020.

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

**Note 2. Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The Group operates in two segments being the provision of internet and telecommunication services and gaming technology within Australia.

**Note 3. Revenue**

	Consolidated	
	31 Dec 20	31 Dec 19
<b>Revenue from contracts with customers</b>	<b>\$</b>	<b>\$</b>
Rendering a service - telecommunication service	309,734	181,458
Rendering a service - recurring network revenues	4,123,812	1,467,923
Sale of goods	323,809	155,846
	<b>4,757,355</b>	<b>1,805,227</b>
<b>Other Revenue</b>		
Australian Tax Office - COVID19 Grants	165,974	-
	<b>165,974</b>	<b>-</b>
<b>Total revenue</b>	<b>4,923,479</b>	<b>1,805,342</b>

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

**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 4. Expenses**

Loss before income tax includes the following specific expenses	Consolidated	
	31 Dec 20	31 Dec 19
	\$	\$
Network, carrier and hardware expenses	<b>2,813,382</b>	<b>1,186,930</b>
<b>Depreciation</b>		
Leasehold improvements	19,133	3,392
Plant and equipment	57,054	39,924
Right of use assets	312,163	187,495
Network infrastructure	241,773	186,952
Amortisation	83,239	12,054
Impairment of intangible asset	3,531	-
<b>Total Depreciation, amortisation and impairment</b>	<b>716,893</b>	<b>429,817</b>
Bad debts	9,082	3,431
Bank and transaction cost	71,384	30,025
Legal and professional services	65,705	26,328
Insurance	75,189	35,727
IPO related costs	403,376	-
Repairs and maintenance	27,024	27,893
Software subscription	43,376	43,711
Operating expenses	565,993	757,129
Office and staff cost	181,766	152,244
<b>Total other expenses</b>	<b>1,442,895</b>	<b>1,076,488</b>
Superannuation expense	<b>198,312</b>	<b>93,163</b>
Share-based payments expense	<b>4,459,854</b>	<b>995,498</b>
Finance cost	<b>3,873,661</b>	<b>43,657</b>

**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 5. Cash and Cash Equivalent**

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Cash at bank	6,282,503	1,272,514
Cash on hand	-	519
<b>Total cash and cash equivalents</b>	<b>6,282,503</b>	<b>1,273,033</b>

Reconciliation:

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
<b>Profit before tax</b>	<b>(11,155,048)</b>	<b>(3,056,451)</b>

**Adjusted for:**

Depreciation	716,893	429,817
Interest income	(150)	(115)
Interest expense	3,873,661	43,657
Share-based payments	5,003,674	995,498
(Increase)/Decrease in trade and other receivables	21,404	(12,932)
(Increase)/Decrease in inventories	14,673	(27,396)
(Increase)/Decrease in deposits and prepayments	48,148	(154,237)
Increase/(Decrease) in trade and other payables	1,012,575	568,917
Increase/(Decrease) in employee benefits	49,515	11,012
Increase/(Decrease) in customer contract liability	(19,103)	15,248
<b>Cash generated from operations</b>	<b>(433,758)</b>	<b>(1,186,982)</b>
Interest paid	(50,829)	(43,542)
Income taxes paid	-	-
<b>Net cash from / (used in) operating activities</b>	<b>(484,587)</b>	<b>(1,230,524)</b>



Pentanet Ltd  
Notes to the financial statements  
For the half-year ended 31 December 2020

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

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Network infrastructure - at cost	1,993,673	1,971,003
Less: Accumulated depreciation	(674,168)	(462,264)
	1,319,505	1,508,739
Office lease	278,731	278,731
Less: Accumulated depreciation	(149,320)	(119,456)
	129,411	159,275
<b>Total right of use assets</b>	<b>1,448,916</b>	<b>1,668,014</b>

**Reconciliation:**

	Network Infrastructure	Office Lease	Total
	\$	\$	\$
<b>Balance at 1 July 2020</b>	<b>1,508,739</b>	<b>159,275</b>	<b>1,668,014</b>
Additions	22,675	-	22,675
Depreciation expense	(211,909)	(29,864)	(241,773)
<b>Balance at 31 December 2020</b>	<b>1,319,505</b>	<b>129,411</b>	<b>1,448,916</b>

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

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
Leasehold improvements - at cost	113,204	30,263
Less: Accumulated Depreciation	(19,133)	(6,400)
	94,071	23,863
Plant and equipment - at cost	801,929	783,970
Less: Accumulated depreciation	(234,284)	(158,097)
	567,645	625,873
Network infrastructure	4,331,612	3,838,077
Less: Accumulated depreciation	(929,533)	(658,869)
	3,402,079	3,179,208
	4,063,795	3,828,944

**Reconciliation:**

	Leasehold improvement	Plan and equipment	Network infrastructure	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2020</b>	<b>23,863</b>	<b>625,873</b>	<b>3,179,208</b>	<b>3,828,944</b>
Additions	89,341	-	648,949	738,290
Disposals	-	(1,174)	(113,915)	(115,089)
Depreciation expense	(19,133)	(57,054)	(312,163)	(388,350)
<b>Balance at 31 December 2020</b>	<b>94,071</b>	<b>567,645</b>	<b>3,402,079</b>	<b>4,063,795</b>

**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

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

	Consolidated	
	31 Dec 20	31 Dec 19
	\$	\$
Trademarks and design	40,822	21,453
Less: Impairment	-	-
	<b>40,822</b>	<b>21,453</b>
Software	182,818	154,148
Less: Accumulated amortisation	(135,731)	(68,168)
	<b>47,087</b>	<b>85,980</b>
Intellectual property	100,000	100,000
Less: Accumulated amortisation	-	-
	<b>100,000</b>	<b>100,000</b>
Other intangible assets	170,038	170,038
Less: Accumulated amortisation and impairment	(21,557)	(15,083)
	<b>148,481</b>	<b>154,955</b>
	<b>336,390</b>	<b>362,388</b>

**Reconciliations**

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

	Trademarks and design \$	Software \$	Other intangible assets \$	Intellectual property \$	Total \$
<b>Balance at 1 July 2020</b>	<b>21,453</b>	<b>85,980</b>	<b>154,955</b>	<b>100,000</b>	<b>362,388</b>
Additions	19,369	28,670	-	-	48,039
Amortisation expense	-	(67,563)	(6,474)	-	(74,037)
Impairment	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>40,822</b>	<b>47,087</b>	<b>148,481</b>	<b>100,000</b>	<b>336,390</b>

**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 9. Current and Non-current liabilities - borrowings**

	Consolidated	
	31 Dec 20	30 Jun 20
	\$	\$
<b>Current</b>		
Right of use lease liability	448,257	412,601
Other loans	103,937	82,215
Convertible notes	-	2,774,968
Unissued share capital	5,272,500	-
	<b>5,824,694</b>	<b>3,269,784</b>
<b>Non-current</b>		
Right of use lease liability	846,959	1,145,653
Other loans	49,602	118,415
Convertible notes	-	-
	<b>896,561</b>	<b>1,264,068</b>

Unissued share capital relates to cash received for shares to be issued on completion of the IPO. Upon completion of the IPO shares were issued.

On the 7th of January 2021 Pentanet Ltd received the remaining funds raised under the IPO of \$17,187,500 and issued the shares.

Convertible notes held by various lenders were converted to shares prior to admission to the ASX. 23,387,509 Shares were issued upon the conversion of Convertible Notes (and accrued interest) and 6,256,427 Shares issued upon exercise of all Convertible Note Options.

Craig Amos (non-executive director) converted 551,283 options into ordinary shares.

Dalton Gooding (non-executive director) converted 275,641 options into ordinary shares.

**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

	Consolidated	
	31 Dec 20	30 Jun 20
<b>Note 10. Equity - Issued Capital</b>	\$	\$
Issue of shares	16,857,859	8,478,055
Share issue costs	(339,182)	(339,182)
<b>Total share capital</b>	<b>16,518,677</b>	<b>8,138,873</b>

Details	Date	Shares	Share Price	
			\$	\$
<b>Movement in ordinary share capital</b>				
<b>Opening Balance 1 July 2020</b>		<b>131,750,999</b>		<b>8,138,873</b>
Exercise of convertible note options	11 Dec 20	26,902,594	0.250	6,725,648
Exercise of options	11 Dec 20	1,500,000	0.150	225,000
Exercise of convertible note options	11 Dec 20	2,741,342	0.250	685,336
Exercise of options	11 Dec 20	2,000,000	0.100	200,000
Exercise of employee share options	11 Dec 20	5,215,000	0.028	146,020
Exercise of employee share options	11 Dec 20	3,060,000	0.130	397,800
<b>Closing Balance as at 31 December 2020</b>		<b>173,169,935</b>		<b>16,518,677</b>

**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.

**Note 11. Contingent assets**

There were no changes to contingent assets since 30 June 2020.

**Note 12. Contingent liabilities**

There were no changes to contingent liabilities since 30 June 2020.

**Note 13. Related party transactions**

**Parent entity**

Pentanet Ltd is the parent entity.

**Key Management Personnel**

Directors are listed in the Directors report.

Pentanet Ltd has entered into a non-executive director appointment contract with David Buckingham which govern the terms of his appointment as Non-Executive Director of the Company. David Buckingham will act as Chair of the Board.

**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 13. Related party transactions continued**

Pentanet Ltd spent \$15,976 with DFK Gooding Partners during the half-year, on commercial terms and market rates, which is a director related entity (Dalton Gooding), with no balance relating to this fee outstanding as at 31 December 2020.

Pentanet Ltd spent \$37,389 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 2020

On 27 November 2020, Pentanet Ltd issued the following options to directors:

Director	Capacity	Tranche 1	Tranche 2	Tranche 3	Total options granted
David Buckingham	Non-Executive Chairman	1,000,000	1,000,000	1,000,000	3,000,000
Stephen Cornish	Managing Director	3,300,000	3,300,000	3,300,000	9,900,000
Timothy Cornish	Executive Director	2,200,000	2,200,000	2,200,000	6,600,000
Craig Amos	Non-Executive Director	600,000	600,000	600,000	1,800,000
Dalton Gooding	Non-Executive Director	800,000	800,000	800,000	2,400,000
		<b>7,900,000</b>	<b>7,900,000</b>	<b>7,900,000</b>	<b>23,700,000</b>

Each Option (unless otherwise specified) will have an exercise price as set out below (Exercise Price) and will expire at 5.00pm (AWST) on 30 June 2024 (Expiry Date). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

Tranche 1 Options have an issue price of \$0.25 and have an exercise price of \$0.30

Tranche 2 Options have an issue price of \$0.25 and have an exercise price of \$0.37

Tranche 3 Options have an issue price of \$0.25 and have an exercise price of \$0.50

Director	Capacity	Fair value at grant date: Tranche 1 \$	Fair value at grant date: Tranche 2 \$	Fair value at grant date: Tranche 3 \$	Total value of options granted \$
David Buckingham	Non-Executive Chairman	157,486	148,040	134,024	439,550
Stephen Cornish	Managing Director	519,703	488,531	442,280	1,450,514
Timothy Cornish	Executive Director	346,469	325,688	294,853	967,010
Craig Amos	Non-Executive Director	94,491	88,824	80,414	263,729
Dalton Gooding	Non-Executive Director	125,989	118,432	107,219	351,640
		<b>1,244,138</b>	<b>1,169,515</b>	<b>1,058,790</b>	<b>3,472,443</b>

For the options granted during the interim half-year reporting period ending 31 December 2020, the valuation model inputs used to determine the fair value at grant date, are as follows:

Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date \$
27/11/2020	30/06/2024	0.250	0.300	100%	0	0.81%	0.1575
27/11/2020	30/06/2024	0.250	0.370	100%	0	0.81%	0.1480
27/11/2020	30/06/2024	0.250	0.500	100%	0	0.81%	0.1340

**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 14. Events after the reporting period**

On 7 January 2021 the Consolidated Entity issued 89,940,000 fully paid ordinary shares at an issue price of \$0.25 (25 cents) per share under an initial public offer (IPO).

On 29 January 2020 Pentanet listed on the ASX.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 15. Earnings per share**

	Consolidated	
	31 Dec 20	31 Dec 19
	\$	\$
Loss after income tax	(11,155,048)	(3,056,451)
<b>Loss after income tax attributable to the owners of Pentanet Group Ltd</b>	<b>(11,155,048)</b>	<b>(3,056,451)</b>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	118,108,205	115,838,671
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>135,994,233</b>	<b>119,775,315</b>
	Cents	Cents
Basic (loss) per share attributable to owners of Pentanet Group	(0.09)	(0.03)

**Note 16. Share-based payment**

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 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:

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**Pentanet Ltd**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**2019**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the period
\$							
27/09/2019	5/04/2020	0.100	-	2,000,000	-	-	2,000,000
27/09/2019	31/12/2020	0.028	-	5,215,000	-	-	5,215,000
27/09/2019	30/06/2021	0.130	-	3,555,000	-	-	3,555,000
27/09/2019	30/06/2021	0.130	-	6,955,000	-	-	6,955,000
27/09/2019	30/06/2021	0.130	-	4,355,000	-	-	4,355,000

The weighted average options exercise price of all unexercised options on issue at the end of 30 June 2020 was \$0.078  
 No options were exercised, expired or forfeited during the year ended 30 June 2020.  
 The weighted average remaining contractual life of options outstanding at the end of the financial year was 1 year.

**2020**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the period
\$							
27/09/2019	5/04/2020	0.100	2,000,000	-	(2,000,000)	-	-
27/09/2019	31/12/2020	0.028	5,215,000	-	(5,215,000)	-	-
27/09/2019	30/06/2021	0.130	3,555,000	-	(1,455,000)	-	2,100,000
27/09/2019	30/06/2021	0.130	6,955,000	-	-	(6,955,000)	-
27/09/2019	30/06/2021	0.130	4,355,000	-	(1,605,000)	-	2,750,000
27/11/2020	30/06/2024	0.300	-	9,870,000	-	-	9,870,000
27/11/2020	30/06/2024	0.370	-	9,870,000	-	-	9,870,000
27/11/2020	30/06/2024	0.500	-	9,870,000	-	-	9,870,000

The weighted average options exercise price of all unexercised options on issue at the end of 31 December 2020 was \$0.050  
 During the interim half-year reporting period ending 31 December 2020, 10,275,000 options were exercised and 6,955,000 were cancelled.

For the options granted during the interim half-year reporting period ending 31 December 2020, the valuation model inputs used to determine the fair value at grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
		\$	\$				\$
27/11/2020	30/06/2024	0.250	0.300	100%	0	0.81%	0.1575
27/11/2020	30/06/2024	0.250	0.370	100%	0	0.81%	0.1480
27/11/2020	30/06/2024	0.250	0.500	100%	0	0.81%	0.1340

	Consolidated	
	31 Dec 20	31 Dec 19
	\$	\$
Share based payment expense reconciliation		
Issue of share options to directors and employees under incentive option scheme	4,459,854	995,498
	<b>4,459,854</b>	<b>995,498</b>

## DIRECTOR'S DECLARATION 31 DECEMBER 2020


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 2020 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.

Signed on behalf of the directors:

Signed  \_\_\_\_\_

David Buckingham  
Non-Executive Chairman  
17 February 2021  
Perth



## AUDITOR'S INDEPENDENCE DECLARATION



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### 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 2020, 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 statement of 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 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

##### Basis for conclusion

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

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

##### Responsibility of the directors for the financial report

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

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## AUDITOR'S INDEPENDENCE DECLARATION



### 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 2020 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

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a faint, light blue BDO logo watermark.

Glyn O'Brien

Director

Perth, 17 February 2021