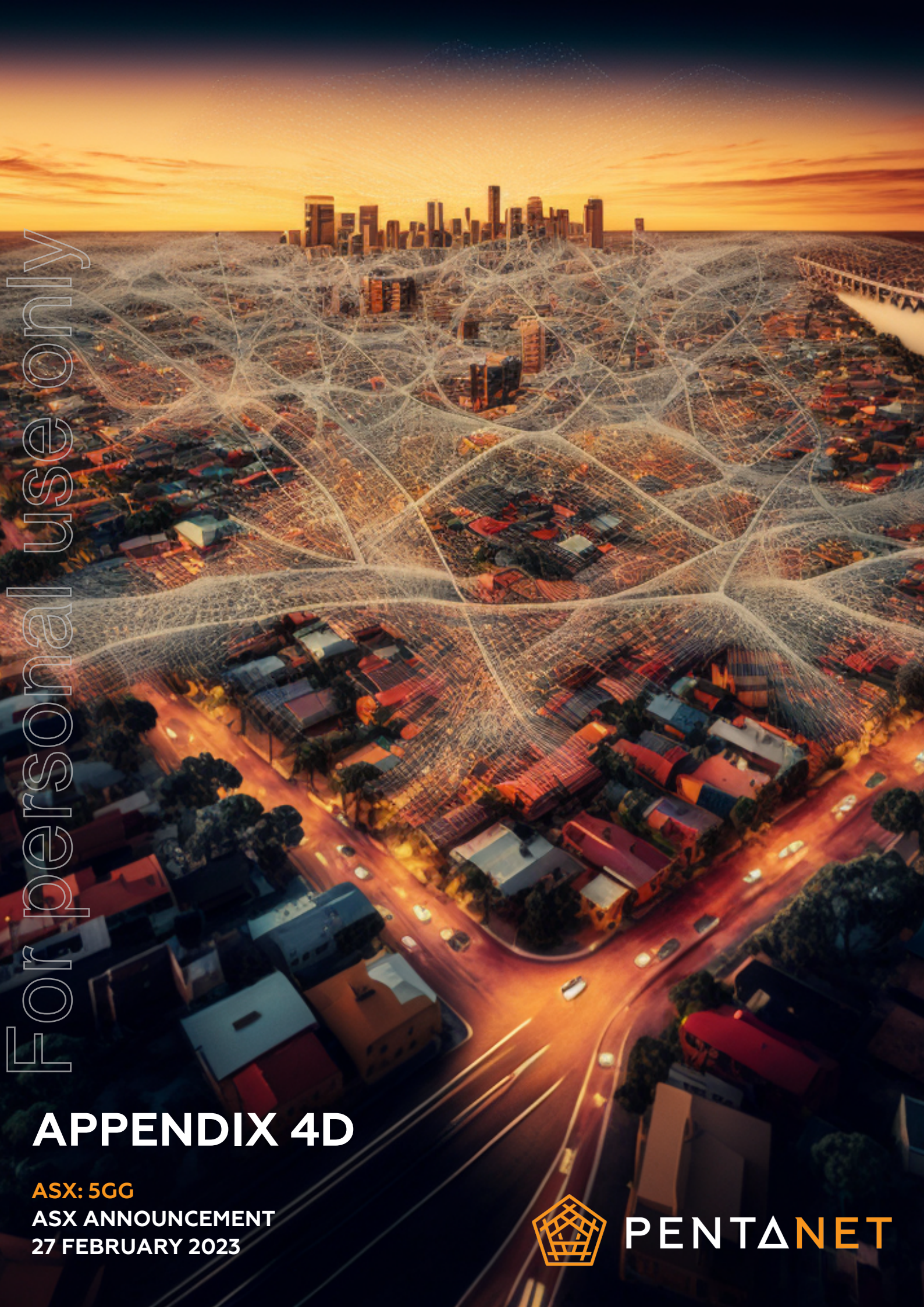


For personal use only



APPENDIX 4D

ASX: 5GG
ASX ANNOUNCEMENT
27 FEBRUARY 2023



PENTANET

PENTANET LTD
APPENDIX 4D
31 DECEMBER 2022
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 2022
Previous period: For the half-year ended 31 December 2021

2. Results for announcement to the market

				31 Dec 22	31 Dec 21
				\$'000	\$'000
Revenues from ordinary activities	up	22%	to	9,717	7,954
EBITDA ¹ Loss	up	46%	to	(2,548)	(1,745)
Loss from ordinary activities after tax attributable to the owners of Pentanet Ltd	up	44%	To	(4,772)	(3,305)
Loss for the half-year attributable to the owners of Pentanet Ltd	up	44%	to	(4,772)	(3,305)

3. Dividends

No dividends were paid during the half-year and the directors have not recommended a dividend in respect of the 2022 financial period (2021: Nil.)

4. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.07</u>	<u>0.10</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.

PENTANET LTD
APPENDIX 4D
HALF-YEAR REPORT

9. Attachments

Details of attachments (if any):

The Interim Report of Pentanet Ltd for the half-year ended 31 December 2022 is attached.

Review of Operations

Pentanet Ltd is pleased to report its interim results for the half-year ended 31 December 2022, with revenue increasing in both business segments. Revenue reached \$9.7 million for the half year ending 31 December 2022, representing 23% YoY growth. Telecommunications recurring network revenue saw a similar increase of 23% to \$9.2 million, and gaming segment revenue increased by 12% to \$0.5 million. Consolidated gross profit increased by 5% YoY and 13% PcP (prior-comparative-period) to \$4.1 million, with gains in Telecommunications margins offset by increased investment in the gaming segment versus prior periods.

Net loss after tax for the half-year was \$4.8 million (31 December 2021: \$3.3 million). Higher gross margins were offset by an increase in employee cost and accompanying overheads as the Company scaled up for new product launches from June 2022.

With lower operating costs and capital investment expected going forward, combined with the additional \$5.0 million Westpac capital financing facility implemented in October 2022, the Company's existing cash balance of \$6.1m will allow it to continue to meet its growth plans through the remainder of the financial year 2023.

As at 31 December 2022, more than 311,676 gamers across Australia and New Zealand have registered as members. GeForce NOW Powered by Pentanet delivered impressive growth metrics following the launch of four new subscription plans. Revenue increased by 57% PcP as the platform continues to gain momentum, with registered memberships growing 405% YoY to 311,676 (+66% PcP). The Company continues to focus on converting more registered members into paying subscribers.

9. Signed

Signed _____



David Buckingham
Non-Executive Chairman
Perth
27th February 2023

INTERIM FINANCIAL REPORT – 31 DECEMBER 2022

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 2022 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.

Director's report	1
Auditors' independence declaration	3
Consolidated statement of profit and loss and other comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the financial statements	8 – 19
Directors' declaration	20
Independent auditors review report to the members of Pentanet Ltd	21 – 22

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 27th of February 2023, in accordance with a resolution of directors.

For personal use

PENTANET LTD
ABN: 29 617 506 279

CORPORATE DIRECTORY 31 DECEMBER 2022

Directors

David Buckingham	Non-Executive Chairman
Stephen Cornish	Managing Director
Timothy Cornish	Executive Director
Dalton Gooding	Non-Executive Director
Sian Whyte	Non-Executive Director

Company Secretary

Patrick Holywell

Registered Office

Unit 2, 8 Corbusier Place, Balcatta 6021

Principal Place of Business

Level 4, 45 St Georges Terrace, Perth WA, 6000

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)

For personal use only

PENTANET LTD
Directors' report
31 December 2022

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 2022.

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
Sian Whyte

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 2022, with revenue increasing in both business segments. Revenue reached \$9.7 million for the half year ending 31 December 2022, representing 23% YoY growth.

Telecommunications recurring network revenue saw a similar increase of 23% to \$9.2 million, and gaming segment revenue increased by 12% to \$0.5 million. Consolidated gross profit increased by 5% YoY and 13% PcP (prior-comparative-period) to \$4.1 million, with gains in Telecommunications margins offset by increased investment in the gaming segment versus prior periods.

Net loss after tax for the half-year was \$4.8 million (31 December 2021: \$3.3 million). Higher gross margins were offset by an increase in employee cost and accompanying overheads as the Company scaled up for new product launches from June 2022.

With lower operating costs and capital investment expected going forward, combined with the additional \$5.0 million Westpac capital financing facility implemented in October 2022, the Company's existing cash balance of \$6.1m will allow it to continue to meet its growth plans through the remainder of the financial year 2023.

As at 31 December 2022, more than 311,676 gamers across Australia and New Zealand have registered as members. GeForce NOW Powered by Pentanet delivered impressive growth metrics following the launch of four new subscription plans. Revenue increased by 57% PcP as the platform continues to gain momentum, with registered memberships growing 405% YoY to 311,676 (+66% PcP). The Company continues to focus on converting more registered members into paying subscribers.

PENTANET LTD
Directors' report
31 December 2022

Significant changes in the state of affairs

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

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

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

In October 2022,

Pentanet agreed financing facilities (the Facility) with Westpac Banking Corporation for up to \$5,000,000 with a five-year term available for utilisation. Interest payable under the Facility is calculated on a variable interest rate. The Facility and any drawdowns under the Facility, are subject to terms and conditions that are customary for facilities of this nature. These include various customary negative undertakings to be observed by Pentanet, including a prohibition on Pentanet granting any further security over the property subject to a security agreement in favour of Westpac.

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

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 financial year

No other matters or circumstances have arisen since 31 December 2022 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

27th February 2023
Perth

PENTANET LTD
Auditor's independence declaration



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

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

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

As lead auditor for the review of Pentanet Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 over a light grey watermark that says 'For personal use only'.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth
27 February 2023

PENTANET LTD
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$'000	\$'000
Revenue	3	9,717	7,954
Other income		240	47
Expenses	4		
Network, carrier and hardware expenses		(5,630)	(4,072)
Employee benefits expense		(4,072)	(3,016)
Other expenses		(2,803)	(2,658)
Loss before finance costs, depreciation and amortisation and impairment expenses		<u>(2,548)</u>	<u>(1,745)</u>
Finance costs	4	(163)	(66)
Depreciation, amortisation and impairment expense	4	<u>(2,061)</u>	<u>(1,493)</u>
Loss before income tax expense for the half-year		<u>(4,772)</u>	<u>(3,305)</u>
Income tax expense		-	-
Loss after income tax for the half-year attributable to the owners of Pentanet Ltd		<u>(4,772)</u>	<u>(3,305)</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>(5,592)</u>	<u>(3,305)</u>
		Cents	Cents
Basic loss per share attributable to owners of Pentanet Ltd	18	(0.02)	(0.01)

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 2022

	Note	Consolidated 31 Dec 2022 \$'000	30 June 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	6,127	13,388
Trade and other receivables		338	653
Inventories		274	334
Deposits and prepayments		331	726
Total current assets		<u>7,070</u>	<u>15,101</u>
Non-current assets			
Right-of-use assets	6	5,564	2,298
Plant and equipment	7	17,486	16,171
Intangible assets	8	8,237	8,568
Financial assets at fair value through other comprehensive income	9	3,180	4,000
Total non-current assets		<u>34,467</u>	<u>31,037</u>
Total assets		<u>41,537</u>	<u>46,138</u>
Liabilities			
Current liabilities			
Trade and other payables	10	1,842	3,684
Contract liabilities		98	100
Employee benefits		365	404
Lease liabilities	11	570	993
Other liabilities	12	2,040	2,280
Total current liabilities		<u>4,915</u>	<u>7,461</u>
Non-current liabilities			
Contract liabilities		4	-
Lease liabilities	11	4,996	1,312
Other liabilities	12	3,653	3,804
Total non-current liabilities		<u>8,653</u>	<u>5,116</u>
Total liabilities		<u>13,568</u>	<u>12,577</u>
Net assets		<u>27,969</u>	<u>33,561</u>
Equity			
Share capital	13	57,348	57,348
Reserves		5,568	5,568
Accumulated losses		(34,947)	(29,355)
Total equity		<u>27,969</u>	<u>33,561</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 2022

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	57,214	5,568	(21,430)	41,352
Loss after income tax expense for the half-year	-	-	(3,305)	(3,305)
Other comprehensive loss for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(3,305)	(3,305)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	130	-	-	130
Share issue costs	-	-	-	-
Share-based payments	-	-	-	-
Balance at 31 December 2021	57,344	5,568	(24,735)	38,177

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'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	-	-	(5,592)	(5,592)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	-	-	-	-
Share issues costs	-	-	-	-
Share-based payments	-	-	-	-
Balance at 31 December 2022	57,348	5,568	(34,947)	27,969

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 2022

	Note	Consolidated	Consolidated
		31 Dec 2022	31 Dec 2021
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		9,744	7,985
Payments to suppliers and employees (inclusive of GST)		(12,111)	(9,005)
Cash generated from operations		(2,367)	(1,020)
Interest received		7	-
Interest and other finance costs paid		(145)	(66)
Net cash used in operating activities		(2,505)	(1,086)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,242)	(6,973)
Payments for intangible assets		(1,814)	1,354
Payments for financial assets at fair value through other comprehensive income	9	-	(4,000)
Net cash used in investing activities		(4,056)	(9,619)
Cash flows from financing activities			
Repayment of borrowings		(121)	(1,609)
Payments of lease liabilities		(579)	(330)
Proceeds from issue of shares		-	130
Net cash used in financing activities		(700)	(1,810)
Net decrease in cash and cash equivalents		(7,261)	(12,515)
Cash and cash equivalents at the beginning of the financial half-year		13,388	32,705
Cash and cash equivalents at the end of the financial half-year		6,127	20,190

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 2022

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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, except for the new accounting policy for financial assets measured at fair value through other comprehensive income as disclosed in note 9.

Going Concern

The Directors have prepared the financial report on the 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 2022 the Group held cash and cash equivalents of \$6.1m (30 June 2022: \$13.4m), a positive working capital position of \$2.2m (30 June 2022: \$7.6m), recorded a loss of \$5.9m (31 December 2021: \$3.3m), had net cash outflows from operating activities of \$2.5m (31 December 2021: \$1.1m) and had net cash investing activities of \$4.1m (31 December 2021: \$9.6m)

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 neXus broadband and GeForce NOW gaming products and new the 5G broadband product being launched in the second half of FY23;
- Lower operating costs across both the Telecommunications and Gaming segments of the business following cost reductions delivered in the second quarter of FY23;
- Further active management of discretionary expenditure in line with the funds available to the Group;
- Lower capital expenditure costs following major infrastructure upgrades to core networks to enable new products together with the potential 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.

PENTANET LTD
Notes to the financial statements
31 December 2022

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.

Major customers

There were no major customers in 2022 or 2021 that contributed more than 5% of revenue.

Operating segments

The directors have chosen to organise the group around the 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 2022

Note 2. Operating segments (continued)

Operating revenues and results

	Internet Services \$'000	Gaming and technology services \$'000	Total \$'000
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	(1,843)	(705)	(2,548)
Finance costs	(1,799)	(262)	(2,061)
Loss before income tax expense	(163)	-	(163)
Income tax expense	(3,805)	(967)	(4,772)
Loss after income tax expense for the year attributable to the owners of Pentanet Ltd	-	-	-
Changes in fair value of equity investments at fair value through other comprehensive income	<u>(3,805)</u>	<u>(967)</u>	<u>(4,772)</u>
	<u>(3,805)</u>	<u>(820)</u>	<u>(820)</u>
	<u>(3,805)</u>	<u>(1,787)</u>	<u>(5,592)</u>
Consolidated – 31 December 2021			
Revenue			
Total revenue	7,533	421	7,954
Other revenue	-	-	-
Total segment revenue	<u>7,533</u>	<u>421</u>	<u>7,954</u>
EBITDA			
Depreciation and amortisation	(1,404)	(341)	(1,745)
Interest income	(1,382)	(111)	(1,493)
Finance costs	-	-	-
Loss before income tax expense	(66)	-	(66)
Income tax expense	(2,853)	(112)	(2,965)
Loss after income tax expense	-	-	-
	<u>(2,853)</u>	<u>(452)</u>	<u>(3,305)</u>
Total segment assets			
31 December 2022	31,906	9,631	41,537
30 June 2022	<u>35,386</u>	<u>10,752</u>	<u>46,138</u>
Total segment liabilities			
31 December 2022	13,422	146	13,568
30 June 2022	<u>12,464</u>	<u>113</u>	<u>12,577</u>

PENTANET LTD
Notes to the financial statements
31 December 2022

Note 3. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Revenue from contracts with customers</i>		
Rendering a service – telecommunication service	320	308
Rendering a service – recurring network revenues	8,686	6,841
Gaming and gaming technology services	472	421
Sale of goods	239	384
Total revenue	9,717	7,954

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

Note 4. Expenses

Loss before tax includes the following specific expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Network, carrier and hardware expenses	5,630	4,072
Depreciation		
Leasehold improvements	46	18
Plant and equipment	200	118
Right of use assets	575	300
Network infrastructure	841	596
Amortisation	399	458
Impairment of intangible asset	-	4
Total Depreciation, amortisation and impairment	2,061	1,493
Finance costs	163	66
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	3,730	2,787
Superannuation expense		
Defined contribution superannuation expense	342	229
Advertising and promotion	1,029	1,092
Legal and professional services	213	377
Operating expenses	1,559	1,189
Total other expenses	2,803	2,658

Pentanet Ltd
Notes to the financial statements
31 December 2022

Note 5. Cash and cash equivalents

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Cash at bank	5,801	5,562
Term deposits	326	7,826
Total cash and cash equivalents	<u>6,127</u>	<u>13,388</u>

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

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Office lease	1,085	1,150
Less: Accumulated depreciation	<u>(570)</u>	<u>(403)</u>
	515	747
Network infrastructure – at cost	6,048	2,947
Less: Accumulated depreciation	<u>(999)</u>	<u>(1,396)</u>
	<u>5,049</u>	<u>1,551</u>
	<u>5,564</u>	<u>2,298</u>

Reconciliation:

Consolidated	Network Infrastructure	Office Lease	Total
Balance at 1 July 2022	1,551	747	2,298
Additions	4,997	-	4,997
Disposals	(1,118)	(38)	(1,156)
Depreciation expense	<u>(381)</u>	<u>(194)</u>	<u>(575)</u>
Balance at 31 December 2022	<u>5,049</u>	<u>515</u>	<u>5,564</u>

PENTANET LTD
Notes to the financial statements
31 December 2022

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Leasehold improvements - at cost	1,033	425
Less: Accumulated depreciation	<u>(176)</u>	<u>(113)</u>
	<u>857</u>	<u>312</u>
Plant and equipment - at cost	1,904	1,777
Less: Accumulated depreciation	<u>(769)</u>	<u>(589)</u>
	<u>1,135</u>	<u>1,188</u>
Network infrastructure - at cost	19,660	17,824
Less: Accumulated depreciation	<u>(4,166)</u>	<u>(3,153)</u>
	<u>15,494</u>	<u>14,671</u>
	<u>17,486</u>	<u>16,171</u>

Reconciliations

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

Consolidated	Leasehold improvements \$'000	Plant and equipment \$'000	Network infrastructu re \$'000	Total \$'000
Balance at 1 July 2022	312	1,188	14,671	16,171
Additions	609	146	1,706	2,461
Disposals	(17)	-	(41)	(58)
Depreciation expense	<u>(46)</u>	<u>(200)</u>	<u>(841)</u>	<u>(1,087)</u>
Balance at 31 December 2022	<u>857</u>	<u>1,135</u>	<u>15,494</u>	<u>17,486</u>

PENTANET LTD
Notes to the financial statements
31 December 2022

Note 8. Non-current assets - intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Trademarks and design - at cost	113	93
Less: Accumulated amortisation	<u>(21)</u>	<u>(5)</u>
	<u>92</u>	<u>88</u>
Software - at cost	362	333
Less: Accumulated amortisation	<u>(282)</u>	<u>(233)</u>
	<u>80</u>	<u>100</u>
Other intangible assets - at cost	490	463
Less: Accumulated amortisation and impairment	<u>(46)</u>	<u>(40)</u>
	<u>444</u>	<u>423</u>
Licenses - at cost	8,718	8,719
Less: Accumulated amortisation	<u>(1,097)</u>	<u>(762)</u>
	<u>7,621</u>	<u>7,957</u>
	<u>8,237</u>	<u>8,568</u>

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

PENTANET LTD
Notes to the financial statements
31 December 2022

Note 9. Fair value measurement of financial instruments

The group holds the following financial instruments:

	Notes	Consolidated	
		31 Dec 2022 \$'000	30 Jun 2022 \$'000
Financial Assets			
Trade and other receivables		338	653
Cash and cash equivalents		6,127	13,388
Financial assets at fair value through other comprehensive income	9a	3,180	4,000
		<u>9,645</u>	<u>18,041</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 which are not held for trading and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments, and the group considers this classification to be more relevant.

	Consolidated	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Non-current assets		
Unlisted securities		
Canopus Networks Pty Ltd	3,180	4,000
	<u>3,180</u>	<u>4,000</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 2022 the interest held by Pentanet in Canopus remained 13.4%.

(d) 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 2022	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>

During the six-month period ending 31 December 2022, Canopus Network Pty Ltd received an offer from Investors to provide additional capital funding to the Company for \$4.20 per share - a deal which has yet to be finalised but is considered indicative of its fair value at that date by directors. As such, the Company recognised and reflected a reduction in fair value totalling \$820,433.

PENTANET LTD
Notes to the financial statements
31 December 2022

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

Note 10. Current liabilities – trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Trade payables	1,049	2,878
BAS payable	182	209
Other payables	611	597
Total trade and other payables	<u>1,842</u>	<u>3,684</u>

Note 11. Lease liabilities

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Current		
Lease liability	<u>571</u>	<u>993</u>
Non-current		
Lease liability	<u>4,996</u>	<u>1,312</u>
Total lease liabilities	<u>5,567</u>	<u>2,305</u>

Note 12. Other liabilities

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
Current		
Term purchases	323	445
Intangible asset finance	<u>1,717</u>	<u>1,835</u>
Total current other liabilities	<u>2,040</u>	<u>2,280</u>
Non-current		
Term purchases	189	354
Intangible asset finance	<u>3,464</u>	<u>3,450</u>
Total non-current other liabilities	<u>3,653</u>	<u>3,804</u>
Total other liabilities	<u>5,693</u>	<u>6,084</u>

PENTANET LTD
Notes to the financial statements
31 December 2022

Note 13. Equity – issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>295,810,713</u>	<u>295,810,713</u>	<u>57,348</u>	<u>57,348</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2022	295,810,713		57,348
Exercise of options	-	-	-	-
Balance	31 December 2022	<u>295,810,713</u>		<u>57,348</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 14. Contingent Assets

There are no contingent assets at 31 December 2022.

Note 15. Contingent liabilities

Pentanet has guarantee facilities of \$432,058 (30 June 2022: \$591,869) available for utilisation. There are no material changes to the contingent liabilities from the 30 June 2022 Financial Statements.

PENTANET LTD
Notes to the financial statements
31 December 2022

Note 16. 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 will continue investing in the next-generation cloud gaming infrastructure by purchasing the RTX 3080 SuperPODs funded by the 5-year term Westpac Banking Corporation loan facilities.

Note 17. 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	
		2022	2021
		%	%
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 \$578 with DFK Gooding Partners during the half-year on commercial terms and market rates, which is a director related entity (Dalton Gooding), with a \$578 balance relating to this fee outstanding as at 31 December 2022.

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 2022.

Pentanet Ltd received \$9,000 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 2022.

There have been no changes to the related party arrangements since 30 June 2022.

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
31 December 2022

Note 18. Loss per share

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Loss per share for loss from continuing operations</i>		
Loss after income tax	(5,593)	(3,305)
Loss after income tax attributable to the owners of Pentanet Limited	<u>(5,593)</u>	<u>(3,305)</u>
<i>Weighted number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic EPS	<u>294,797,713</u>	<u>294,999,899</u>
	Cents	Cents
Basic (loss) per share attributable to owners of Pentanet Ltd	(0.02)	(0.01)

Note 19. Events after the reporting period

No matters or circumstances have arisen since 31 December 2022 that have significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial periods.

PENTANET LTD
Directors' declaration
31 December 2022

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 2022 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

27th February 2023
Perth



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

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

INDEPENDENT AUDITOR'S 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 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2022 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 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 2022 and its 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 that reads 'J Prue'.

Jarrad Prue

Director

Perth

27 February 2023

For personal use only