

**PENTANET LIMITED**

**ABN: 29 617 506 279**

**Annual Report - 30 June 2020**

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## Directors' report

### 30 June 2020

The directors present their report, together with the financial statements, on the Consolidated Entity Pentanet Ltd hereinafter referred to as 'the Group' or 'Consolidated Entity' consisting of Pentanet Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020 ('year').

#### Directors

The following persons were directors of the Group during the whole of the financial 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)

Russell Kane (Resigned 4 September 2020)

#### Principal activities

During the financial year the principal continuing activities of the Consolidated Entity consisted of the provision of internet and associated telecommunications products and services.

#### Dividends

No dividends were paid during the year and the directors have not recommended a dividend in respect of the 2020 financial period (2019: Nil)

#### Review of Operations

The statutory loss for the Consolidated Entity amounted to \$5,111,261 (30 June 2019 Loss of \$2,185,234)

#### Significant Changes in the State of Affairs

##### Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Group has taken precautionary measures by temporarily closing the Group's offices when COVID-19 restrictions were enforced (for all but essential services) and arranged for its employees to work remotely, as well as increasing inventory and network assets required for installation to mitigate the risk of supply chain disruptions.

At the date of this report, the impact of these measures is not expected to significantly affect the Group's business operations. Although there is a level of inherent uncertainty as outlined above, there has not been any noticeable adverse impact on the Group's operations or profitability.

Telecommunications remains an essential service and the current environment has led to increased demand for telecommunications products and services. The Board and management continue to monitor and manage the Group's operations in view of the dynamic nature of the events.

## Directors' report continued

### Events Subsequent to the End of the Reporting Period

The novel coronavirus (COVID-19) pandemic has developed rapidly in 2020. The World Health Organisation declared a global health emergency in January 2020 and in March 2020, it declared the spread of COVID-19 as a global pandemic. Measures taken to contain the virus have significantly affected economic activity globally. Consequently, the Australian Government and other countries have imposed measures such as maintaining social distancing requirements, quarantine and travel restrictions. These restrictions had a significant negative impact on world stock markets, currencies and general business activities.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it had a positive financial impact on the Group having record sales months, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The Group appointed former iiNet CEO David Buckingham as its new chairman in September 2020. David Buckingham has a strong financial background and telecommunications history both in Australia and overseas, previously spending eight years with iiNet prior to leaving in 2015. His eight-year tenure with iiNet saw him lead the company as chief executive officer following five years in the role of chief financial officer. After iiNet, Buckingham was the CEO of Navitas and has also held senior financial roles in the UK with Virgin Media and Telewest Global.

Russell Kane resigned on the 4<sup>th</sup> of September, and Pentanet Ltd accepted his resignation.

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

### Likely Developments and Expected Results of Operations

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Directors

Name:	David Buckingham
Title:	Chairman
Experience and expertise:	David Buckingham has over thirty years of experience as a corporate leader in telecommunications, media, technology, IT and education. Mr Buckingham began his career in the Audit and Corporate Finance team at Pricewaterhouse Coopers in the UK and Australia. Most recently, Mr Buckingham served as both Chief Executive Officer and Chief Financial Officer of Navitas Limited (ASX:NVT), a global education provider with over 120 colleges and campuses across 31 countries. Prior to Navitas, David worked for Telewest Global as the Group Treasurer and Director of Financial Planning, Virginmedia, as Finance Director Business Division and for iiNet (ASX:IIN) where he held the roles of Chief Financial Officer and Chief Executive Officer between 2008 and 2015. He was the Chief Executive Officer of iiNet when iiNet was acquired by TPG in September 2015 in a \$1.56B deal. Mr Buckingham holds a Bachelor of Technology (Hons) from the Loughborough University of Technology and is a qualified ACA Chartered Accountant in England & Wales and a member of the Australian Institute of Directors. .

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

## Directors' report continued

Name:	Stephen Cornish
Title:	Managing Director and Founder
Experience and expertise:	Stephen Cornish founded Pentanet in 2017. Under his leadership, the company has continued to achieve impressive year-on-year growth with nearly 10,000 customers connected under the Pentanet brand. In 2018, Stephen was a finalist in the Australian Young Entrepreneur Awards, and in 2019 was recognised as one of WA's forty leading business entrepreneurs in the Business News 40under40 Awards. In 2019, Mr Cornish founded Pentanet.GG, Western Australia's own eSports league, and is actively championing the digitisation of Perth as the next global eSports destination.
Name:	Timothy Cornish
Title:	Finance Director and Co-Founder
Experience and expertise:	Timothy Cornish is a founding director of Pentanet and has various interests in resources, mining technology and international trade. He is an experienced and successful business leader with extensive involvement in private enterprise for over 20 years. Having spent a significant amount of time in China and throughout Asia, Mr Cornish has built an extensive network of contacts, opportunities and experience. Mr Cornish's early career in accounting and finance involved roles with Grant Thornton as well as an international strategic sourcing specialist. He has built sales and distribution channels into Asia-Pacific and South American engineering and mining service industries as well as accompanying global supply chains including Europe, USA and Asia. Mr Cornish has completed a Bachelor of Commerce at UWA and a Graduate Diploma of Chartered Accounting with the Institute of Chartered Accountants Australia & New Zealand.
Name:	Russell Kane
Title:	Non-Executive Director
Experience and expertise:	Russell Kane holds an Executive Director position at Euroz and has worked in the stock-brokerage industry since 1994. He holds a Bachelor of Business from Edith Cowan University and is responsible for servicing both domestic institutions and high net worth clients, with a particular emphasis on WA based resources and industrials stocks.
Name:	Craig Amos
Title:	Non-Executive Director
Experience and expertise:	Craig Amos is a Chartered Accountant with over 20 years' experience in finance, strategy, M&A and commercial projects in both corporate and professional services environments. He has a diverse background having worked as a CFO in both public and private companies, Strategy & Corporate Development roles and at Director level in Tier 1 Corporate Advisory. Mr Amos is currently the CFO of Velrada and was previously CFO of ASX listed Decmil Group Limited, including in 2014 when it was part of the ASX200. Mr Amos is also an Advisory Board member at Curtin University School of Accounting. Prior to his corporate career he held the position of Executive Director in the Corporate Finance Division of Ernst & Young where he gained extensive experience leading teams on a range of strategic transactions. Mr Amos holds a Bachelor of Commerce (with Honours) and a Graduate Diploma in Applied Finance. He is also a fellow of the Financial Service Institute of Australasia.
Name:	Patrick Holywell
Title:	Company Secretary
Experience and expertise:	Patrick Holywell has over fifteen years of experience in accounting, finance and corporate governance, including employment at Deloitte and Patersons. He is a Chartered Accountant and a Fellow of the Governance Institute of Australia with the last ten years focused on Director/CFO/Company Secretarial roles particularly in the resources and technology space. Mr Holywell worked at Deloitte, in the assurance and advisory division and was a founding member and investment analyst for Patersons Asset Management. Mr Holywell has completed a Bachelor of Commerce at UWA, a Graduate Diploma of Chartered Accounting with the Institute of Chartered Accountants and the Company Directors Course with the Australian Institute of Company Directors.

## Directors' report continued

### Meeting of Directors

The number of meetings of the Company's Board of Directors ('the board') held during the year ended 30 June, and the number of meetings attended by each director that held office during the year were:

	Full Board	
	Eligible to Attend	Attended
Dalton Gooding	6	6
Stephen Cornish	6	6
Timothy Cornish	6	6
Craig Amos	6	5
Russell Kane	6	5

### Shares under option

There were no unissued ordinary shares of the Group under option outstanding at the date of this report.

### Shares issued on the exercise of options

There were no ordinary shares of the Group issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

### Indemnity and insurance of officers

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

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

### Indemnity and insurance of auditor

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

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

### Proceedings on behalf of the company

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

## Directors' report continued

### 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 298(2)(a) of the Corporations Act 2001.  
On behalf of the directors



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Timothy John Cornish  
Director  
4<sup>th</sup> of November 2020  
Perth

## Auditor's Independence Declaration



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

As lead auditor of Pentanet Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', is written over a light blue horizontal line.

**Glyn O'Brien**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 4 November 2020

# Financial Report

for the year ended 30 June 2020

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## General information

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

Pentanet is an unlisted private company, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### Registered office

Unit 2/8 Corbusier Place  
Balcatta WA 6021

### Principal place of business

Unit 2/8 Corbusier Place  
Balcatta WA 6021

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

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 4<sup>th</sup> of November 2020. The directors have the power to amend and reissue the financial statements.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Revenue</b>	3	5,097,034	1,777,816
<b>Expenses</b>			
Network, carrier and hardware expenses	4	(3,126,405)	(1,331,660)
Employee benefits expense		(2,660,495)	(895,634)
Share based payments	32	(1,107,903)	-
Depreciation, amortisation and impairment expense	4	(1,030,784)	(466,026)
Other expenses	4	(2,127,510)	(1,209,252)
Finance Costs	4	(155,198)	(60,478)
<b>Loss before income tax expense</b>		<b>(5,111,261)</b>	<b>(2,185,234)</b>
Income Tax Expense	5	-	-
<b>Net Loss</b>		<b>(5,111,261)</b>	<b>(2,185,234)</b>
Other Comprehensive Income		-	-
<b>Total comprehensive income for the year</b>		<b>(5,111,261)</b>	<b>(2,185,234)</b>
Basic (loss) per share attributable to owners of Pentanet Group	31	(0.04)	(0.02)
Diluted (loss) per share attributable to the owners of Pentanet Group	31	(0.04)	(0.02)

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

## Consolidated Statement of Financial Position

for the year ended 30 June 2020

	NOTE	2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,273,033	580,557
Trade and other receivables	7	132,798	63,904
Inventories	8	78,329	28,765
Deposits and Prepayments	9	255,483	174,637
<b>Total current assets</b>		<b>1,739,643</b>	<b>847,863</b>
<b>Non-current assets</b>			
Right of Use Assets	10	1,668,014	1,543,536
Plant and equipment	11	3,828,944	2,399,850
Intangible assets	12	362,388	180,511
<b>Total non-current assets</b>		<b>5,859,346</b>	<b>4,123,897</b>
<b>Total Assets</b>		<b>7,598,989</b>	<b>4,971,760</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	1,270,565	435,270
Contract Liabilities	14	149,056	102,633
Employee benefits	15	102,330	48,623
Loans and borrowings	16	3,269,784	346,903
<b>Total current liabilities</b>		<b>4,791,735</b>	<b>933,429</b>
Contract Liabilities	14	27,118	39,044
Employee benefits	15	2,364	-
Loans and borrowings	16	1,264,068	1,439,141
<b>Total non-current liabilities</b>		<b>1,293,550</b>	<b>1,478,185</b>
<b>Total Liabilities</b>		<b>6,085,285</b>	<b>2,411,614</b>
<b>Net assets</b>		<b>1,513,704</b>	<b>2,560,146</b>
<b>Equity</b>			
Share capital	17	8,138,873	5,181,957
Accumulated losses	18	(7,733,072)	(2,621,811)
Reserves	19	1,107,903	-
<b>Total Equity</b>		<b>1,513,704</b>	<b>2,560,146</b>

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

## Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	NOTE	ISSUED CAPITAL \$	RESERVES \$	ACCUMULATED LOSSES \$	TOTAL \$
<b>Balance as at 1 July 2018</b>		<b>1,273,054</b>	-	<b>(436,577)</b>	<b>836,477</b>
Loss after income tax for the year	18	-	-	(2,185,234)	(2,185,234)
Issue of shares	17	4,085,000	-	-	4,085,000
Share issue costs	17	(176,097)	-	-	(176,097)
<b>Balance as at 30 June 2019</b>		<b>5,181,957</b>	-	<b>(2,621,811)</b>	<b>2,560,146</b>
<b>Balance as at 1 July 2018</b>		<b>5,181,957</b>	-	<b>(2,621,811)</b>	<b>2,560,146</b>
Loss after income tax for the year	18	-	-	(5,111,261)	(5,111,261)
Issue of shares	17	3,120,001	-	-	3,120,001
Share issue costs	17	(163,085)	-	-	(163,085)
Share-based payments expense	19	-	1,107,903	-	1,107,903
<b>Balance as at 30 June 2020</b>		<b>8,138,873</b>	<b>1,107,903</b>	<b>(7,733,072)</b>	<b>1,513,704</b>

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

## Consolidated Statement of Cash Flow

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		5,062,383	1,899,507
Payments to suppliers and employees (inclusive of GST)		(7,153,454)	(3,411,500)
Interest received		254	5,649
Interest and other finance costs paid		(155,198)	(60,478)
Income taxes paid		-	-
<b>Net cash from / (used in) operating activities</b>	6	<b>(2,246,015)</b>	<b>(1,566,822)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(2,052,978)	(1,661,056)
Payments for intangible assets		(181,877)	(73,491)
<b>Net cash used in investing activities</b>		<b>(2,234,855)</b>	<b>(1,734,546)</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		2,661,937	170,143
Payments of lease liabilities		(445,507)	(257,356)
Proceeds from issue of shares		3,120,001	4,085,000
Share issue transaction cost		(163,085)	(176,097)
<b>Net cash from financing activities</b>		<b>5,173,346</b>	<b>3,821,690</b>
<b>Net increase in cash and cash equivalents</b>		<b>692,476</b>	<b>520,322</b>
Cash and cash equivalents at beginning of the year		580,557	60,235
<b>Cash and cash equivalents at end of the year</b>		<b>1,273,033</b>	<b>580,557</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Summary of Significant accounting policies

The financial statements were authorised for issue on 4th of November 2020 by the directors of the Group.

#### New or amended Accounting Standards and Interpretations adopted

The entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory.

AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 9 Financial Instruments have been early adopted by the Group with effect from 20 February 2017 (incorporation date). The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

#### Basis of Preparation

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

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

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

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

#### 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 year ended June 30, 2020 the Group recorded a loss of \$5,111,261 and had net cash outflows from operating activities of \$2,246,015. As at 30 June 2020, the Group had a working capital deficit, inclusive of Convertible Notes of \$2,777,968.

In March 2020 the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities. The timing and extent of the impact and recovery from COVID-19 is unknown but it may have an impact on Group's activities and potentially impact on being able to raise capital in an uncertain market.

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on refinancing finance facilities as indicated below and securing additional funding through debt or equity to continue to fund its operational activities.

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.

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Going Concern continued

The financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

1. The Directors believe that there is sufficient cash available for the Consolidated Entity to continue operating until it can raise sufficient further capital to fund its ongoing activities;
2. The Directors believe that there is an ability to raise further capital, whether through debt or equity arrangements, to meet the funding requirements for the Consolidated Entity's operations;
3. The Consolidated Entity has the ability to reduce its expenditure to conserve cash. During the COVID-19 pandemic key management personnel and directors elected to take a short term pay reduction of 20% - 50% as a precautionary measure. This was subsequently restored;
4. The Directors are continuing to explore alternative options in an effort to mitigate the possible impact of COVID-19. As outlined, there has not been a material impact to business operations and the Group continued to deliver growth despite the uncertainty arising from the pandemic. The Group have adapted quickly in a changing economic landscape with employees transitioning to working remotely during the pandemic and still delivering growth and ensuring minimal disruptions in business operations.

The Group has entered into an agreement with a stock-brokerage firm with an expectation to perform an initial public offering prior to January 2021. The Group will undertake further capital debt raising prior to this initial public offering if required.

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.

### Parent entity information

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

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pentanet Pty Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Pentanet Pty Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

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

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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

## Notes to the Financial Statements continued

### for the year ended 30 June 2020

#### 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 eSport within Australia.

#### Foreign currency translation

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

#### Foreign currency transactions

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

#### Revenue recognition

The Group recognises revenue as follows:

##### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The following is a description of principal activities from which the Group generates its revenue.

The Group principally generates revenue from providing wireless and fibre broadband services. The provision of wireless communication services includes initial installation of associated network infrastructure. The typical length of a contract for wireless broadband services is 24 months. The provision of fibre communication services does not require installation of network infrastructure.

##### Revenue from rendering of services

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

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

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

##### Sale of goods

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

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

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Other Income

#### Disposal of assets

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

#### Interest

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

#### Research and Development/Grants

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

#### Other items of income

Other items of income are recognised when they are received or when the right to receive payment is established.

#### Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

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

### Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Income tax continued

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### Current and non-current classification

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

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

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

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

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### Trade and other receivables

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

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

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

### Contract assets

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

### Inventories

Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Costs are assigned on a first-in, first-out basis.

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

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Property, plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Leasehold improvements	5 years	Straight Line Basis
Plant and equipment	5 -10 years	Straight Line Basis
Network Infrastructure	2 - 10 years	Straight Line basis

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

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

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

### Leases and Right of Use Assets

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

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

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

### Measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are summarised below.

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

CLASS OF RIGHT OF USE ASSET	USEFUL LIFE	DEPRECIATION METHOD
Network Infrastructure	2 years to 10 years	Straight line basis

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Leases and Right of Use Assets continued

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amounts expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### Short-term leases and low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (less US \$5,000), including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### Intangible assets

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

### Trademarks

Trademarks owned by Group are carried at cost less accumulated impairment losses.

### Software

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

### Intellectual Property

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

### Other Intangible Assets

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

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Impairment of non-financial assets

Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

### Trade and other payables

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

### Contract liabilities

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

### Borrowings

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

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

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a share-based payment reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

### Finance costs

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

### Provisions

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

## Notes to the Financial Statements continued

### for the year ended 30 June 2020

#### Employee benefits

##### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

##### Other long-term employee benefits

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

##### Share-based payments

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Fair value measurement

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

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

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

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

### Issued capital

Ordinary shares are classified as equity.

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

### Dividends

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

### Earnings per share

#### Basic earnings per share

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

#### Diluted earnings per share

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

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

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

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

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

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

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 2. Critical accounting judgements, estimates and assumptions

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

#### Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 7, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

#### Estimation of useful lives of assets

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

#### Other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

#### Employee benefits provision

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

#### Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 32 for further information.

### Lease term

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

### Incremental borrowing rate

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

### Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 24 for further information.

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 3. Revenue

	2020	2019
<b>Revenue from contracts with customers</b>	<b>\$</b>	<b>\$</b>
Rendering a Service - Telecommunication services	416,519	224,945
Rendering a Service - Recurring network revenues	4,110,787	1,368,814
Sale of goods	469,974	178,408
	<b>4,997,280</b>	<b>1,772,167</b>
<b>Other Revenue</b>		
Australian Tax Office - COVID19 Grants	99,500	-
Interest Income	254	5,649
	<b>99,754</b>	<b>5,649</b>
	<b>-</b>	<b>-</b>
<b>Total revenue</b>	<b>5,097,034</b>	<b>1,777,816</b>

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

### Note 4. Expenses

	2020	2019
	\$	\$
Profit before income tax includes the following specific expenses		
Network, carrier and hardware expenses		
<b>Network, carrier and hardware expenses</b>	<b>3,126,405</b>	<b>1,331,660</b>
<b>Depreciation</b>		
Leasehold Improvements	5,378	1,022
Plant and Equipment	104,608	43,454
Right of use assets	406,900	193,069
Network Infrastructure	431,652	222,099
Amortisation	75,198	5,728
Impairment of Intangible Asset	7,048	654
<b>Total Depreciation, amortisation and impairment</b>	<b>1,030,784</b>	<b>466,026</b>
Marketing	1,213,274	579,636
Other operating expenses	914,236	629,616
<b>Total other expenses</b>	<b>2,127,510</b>	<b>1,209,252</b>
Superannuation Expense	218,481	59,388
Share-based payments expense	1,107,903	-
<b>Share-based payments expense</b>	<b>1,107,903</b>	<b>-</b>
Finance costs	155,198	60,478
<b>Total finance costs</b>	<b>155,198</b>	<b>60,478</b>

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 5. Income Tax Expense

	2020	2019
	\$	\$
Income Tax expense/(benefit) comprises:		
Deferred Tax	-	-
<b>Total tax expense/(benefit)</b>	<b>-</b>	<b>-</b>
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:		
Profit/(loss) from operations before tax	(5,111,261)	(2,185,234)
Tax at the statutory tax rate of 27.5% (2018: 27.5%)	(1,405,597)	(600,939)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Add:		
Other non-allowable items	328,787	440
Less:		
Other	-	-
Current net deferred tax asset not recognised	(1,076,810)	(600,499)
Income tax expense	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
Unrecognised deferred tax relating to tax losses	(1,076,810)	(600,499)
Unrecognised deferred tax relating to temporary differences	382,219	28,139

### Note 6. Cash and Cash Equivalent

	2020	2019
	\$	\$
Cash at Bank	1,272,514	580,557
Cash on Hand	519	-
<b>Total cash and cash equivalents</b>	<b>1,273,033</b>	<b>580,557</b>
<b>Reconciliation of net loss to net cash flows from operating activities</b>		
	2020	2019
Loss for the year	(5,111,261)	(2,185,234)
<b>Non-cash items</b>		
Depreciation and amortisation	1,030,784	466,026
Share-based payments	1,107,903	-
<b>(Increase)/decrease in assets</b>		
(Increase)/Decrease in trade and other receivables	(68,894)	24,089
(Increase)/Decrease in inventories	(49,564)	2,884
(Increase)/Decrease in deposits and prepayments	(80,846)	(174,637)
<b>Increase/(decrease) in liabilities</b>		
Increase/(Decrease) in trade and other payables	835,295	168,302
Increase/(Decrease) in employee benefit expenses	56,071	28,497
Increase/(Decrease) in customer contract liability	34,497	103,251
<b>Net cash from / (used in) operating activities</b>	<b>(2,246,015)</b>	<b>(1,566,822)</b>
<b>Non-cash investing and financing activities</b>		
<b>Right-of-use assets acquired by means of leases</b>	<b>531,378</b>	<b>1,587,492</b>

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 7. Trade and Other Receivables

	2020 \$	2019 \$
Trade receivables	133,560	68,208
Less: Allowance for expected credit losses	(15,429)	(5,055)
<b>Total trade receivables</b>	<b>118,131</b>	<b>63,153</b>
<b>Other Receivables</b>	<b>14,667</b>	<b>751</b>
<b>Total Trade and other receivables</b>	<b>132,798</b>	<b>63,904</b>

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

	EXPECTED CREDIT LOSS RATE 2020 %	CARRYING AMOUNT 2020 \$	ALLOWANCE FOR EXPECTED CREDIT LOSSES 2020 \$
Not past due	1%	94,078	986
0-30 days past due	1%	18,297	164
31-60 days past due	11% -	8,455 -	890
61-90 days past due	60%	14,998	8,946
More than 90 days past due	43%	14,642	6,224
		<b>133,560</b>	<b>15,429</b>

	EXPECTED CREDIT LOSS RATE 2019 %	CARRYING AMOUNT 2019 \$	ALLOWANCE FOR EXPECTED CREDIT LOSSES 2019 \$
Not past due	1%	23,699	315
0-30 days past due	1%	26,895	398
31-60 days past due	12%	12,761	1,507
61-90 days past due	48%	2,980	1,432
More than 90 days past due	75%	1,873	1,403
		<b>68,208</b>	<b>5,055</b>

#### Allowance for expected credit losses

The Consolidated Entity has recognised a loss of \$15,429 (\$5,055 as at 30 June 2019) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

Impact of COVID-19 on the allowance for expected credit losses calculation:

Management is aware that COVID-19 is likely to continue to disrupt and negatively impact economic activity and we expect financial markets to continue being volatile. However, the telecommunication services sector is classified as an essential service which is to an extent, insulated from the impact of the COVID-19 restrictions. Management approach will remain conservative in assessing current and forecast credit conditions and when determining default rates on debtors' balances.

### Note 8. Inventories

	2020 \$	2019 \$
Current Inventories		
Finished goods held for sale	78,329	28,765
<b>Total Inventories</b>	<b>78,329</b>	<b>28,765</b>

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 9. Deposits and Prepayments

	2020 \$	2019 \$
Prepaid expenses	217,383	136,537
Security deposit	38,000	38,000
Prepayment	100	100
<b>Total deposits and Prepayments</b>	<b>255,483</b>	<b>174,637</b>

### Note 10. Non-current assets - right of use assets

	2020 \$	2019 \$
Network Infrastructure - at cost	1,971,003	1,464,186
Less: Accumulated Depreciation	(462,264)	(139,653)
	1,508,739	1,324,533
Office Lease	278,731	278,731
Less: Accumulated Depreciation	(119,456)	(59,728)
	159,275	219,003
<b>Total Right of Use Assets</b>	<b>1,668,014</b>	<b>1,543,536</b>

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

	NETWORK INFRASTRUCTURE \$	OFFICE LEASE \$	TOTAL \$
<b>Balance at 30 June 2018</b>	<b>149,113</b>	<b>-</b>	<b>149,113</b>
Additions	1,308,761	278,731	1,587,492
Depreciation expense	(133,341)	(59,728)	(193,069)
<b>Balance at 30 June 2019</b>	<b>1,324,533</b>	<b>219,003</b>	<b>1,543,536</b>
Additions	531,378	-	531,378
Depreciation expense	(347,172)	(59,728)	(406,900)
<b>Balance at 30 June 2020</b>	<b>1,508,739</b>	<b>159,275</b>	<b>1,668,014</b>

### Note 11. Non-current assets - plant and equipment

	2020 \$	2019 \$
Leasehold Improvements - at cost	30,263	15,559
Less: Accumulated Depreciation	(6,400)	(1,022)
	<b>23,863</b>	<b>14,537</b>
Plant and Equipment - at cost	783,970	346,529
Less: Accumulated depreciation	(158,097)	(54,251)
	<b>625,873</b>	<b>292,278</b>
Network infrastructure	3,838,077	2,337,989
Less: Accumulated depreciation	(658,869)	(244,954)
	<b>3,179,208</b>	<b>2,093,035</b>
	<b>3,828,944</b>	<b>2,399,850</b>

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 11. Non-current assets - plant and equipment continued

#### Reconciliation

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

	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	NETWORK INFRASTRUCTURE	TOTAL
	\$	\$	\$	\$
<b>Balance at 30 June 2018</b>	-	79,526	932,225	1,011,751
Additions	15,559	256,206	1,433,562	1,705,327
Disposals	-	-	(50,653)	(50,653)
Depreciation expense	(1,022)	(43,454)	(222,099)	(266,575)
<b>Balance at 30 June 2019</b>	14,537	292,278	2,093,035	2,399,850
Additions	14,705	465,631	1,606,240	2,086,576
Disposals	-	(27,429)	(88,415)	(115,844)
Depreciation expense	(5,378)	(104,608)	(431,652)	(541,638)
<b>Balance at 30 June 2020</b>	23,864	625,872	3,179,208	3,828,944

### Note 12. Non-current assets - Intangibles

	2020	2019
	\$	\$
Trademark and Design	21,453	12,806
Less: Impairment	-	-
	<b>21,453</b>	<b>12,806</b>
Software - at cost	154,148	6,582
Less: Accumulated Amortisation	(68,168)	(1,096)
	<b>85,980</b>	<b>5,486</b>
Intellectual Property	100,000	100,000
Less: Accumulated Amortisation	-	-
	<b>100,000</b>	<b>100,000</b>
Other Intangible Assets	170,038	67,505
Less: Accumulated Amortisation and Impairment	(15,083)	(5,286)
	<b>154,955</b>	<b>62,219</b>
	-	-
	<b>362,388</b>	<b>180,511</b>

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

	TRADEMARK AND DESIGN	SOFTWARE	OTHER INTANGIBLE ASSETS	INTELLECTUAL PROPERTY	TOTAL
	\$	\$	\$		\$
<b>Balance at 30 June 2018</b>	1,055	-	5,965	100,000	107,020
Additions	11,751	6,582	61,540	-	79,873
Amortisation expense	-	(1,096)	(4,632)	-	(5,728)
Impairment	-	0.00	(654)	-	(654)
<b>Balance at 30 June 2019</b>	12,806	5,486	62,219	100,000	180,511
Additions	8,647	147,566	107,910	-	264,123
Amortisation expense	-	(67,072)	(8,126)	-	(75,198)
Impairment	-	-	(7,048)	-	(7,048)
<b>Balance at 30 June 2020</b>	21,453	85,980	154,955	100,000	362,388

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 13. Trade and other payables

	2020 \$	2019 \$
Trade payables	759,272	313,800
Other current payables	511,293	121,470
<b>Total trade and other payables</b>	<b>1,270,565</b>	<b>435,270</b>

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

### Note 14. Contract Liabilities

	2020 \$	2019 \$
<b>Current Liabilities</b>		
Customer Contract liabilities	149,056	102,633
<b>Non-Current Liabilities</b>		
Customer Contract liabilities	27,118	39,044
<b>Total</b>	<b>176,174</b>	<b>141,677</b>

### Reconciliation

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

	2020 \$	2019 \$
<b>Opening Balance: 1 July</b>	<b>141,677</b>	<b>38,426</b>
Revenue deferred during the period	212,687	176,241
Revenue recognised	(178,190)	(72,990)
<b>Closing Balance: 30 June</b>	<b>176,174</b>	<b>141,677</b>

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

### Note 15. Current and Non-Current - employee benefits

	2020 \$	2019 \$
Employee benefits - current	102,330	48,623
Employee benefits - non-current	2,364	-

#### Amounts not expected to be settled within the next 12 months

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

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

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

	2020 \$	2019 \$
<b>Employee benefits obligation expected to be settled after 12 months</b>	<b>2,364</b>	<b>-</b>

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 16. Current and Non-current liabilities - borrowings

	2020	2019
	\$	\$
<b>CURRENT</b>		
Right of Use Lease Liability	412,601	328,405
Other loans	82,215	18,498
Convertible Notes	2,774,968	-
	<b>3,269,784</b>	<b>346,903</b>
<b>NON-CURRENT</b>		
Right of Use Lease Liability	1,145,653	1,143,978
Other loans	118,415	21,029
Convertible Notes	-	274,134
	<b>1,264,068</b>	<b>1,439,141</b>

### Description of Lease Arrangements

The Group leases land and buildings for its office spaces as well as network infrastructure. The typical lease period of these leases is summarised below. Where leases include an option to renew the lease after the end of the contract term, the Group assesses at the lease commencement whether it is reasonably certain to exercise the extension options. It reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. Some leases provide for additional rental payments that are based on changes in consumer price indices.

LEASE CATEGORY	TERM OF LEASE	RENEWAL OPTION AVAILABLE
Building	5 years	2 years
Network Infrastructure	2 - 6 Years	5 Years

### Convertible Notes

The Group issued 2,440,000 convertible notes convertible into fully paid ordinary shares in the capital of the Group with a combined face value of \$2,440,000 and 6,256,427 free-attaching options to acquire Shares on the basis of 1 Option for every 3 Shares. Each Note has an individual face value of \$1 and is redeemable 1 year after the date of their issue unless converted into shares beforehand. Interest is payable on the Individual Face Value of each Note on Maturity Date, at the interest rate of 10% per annum.

Noteholders were granted security over all of the Group's present and after acquired property, to secure all debts and monetary liabilities owed to Noteholders.

Noteholders may elect to convert Notes and any capitalised or accrued interest due and payable to Noteholders, into Shares prior to or on Maturity date at a conversion rate of \$0.13. However, if the Group offers to issue Shares at a price less than \$0.13 per Share prior to the Maturity Date (Subsequent Capital Raising), subject to all necessary approvals, the Conversion Price is 90% of the issue price of Share offered by the Group under the Subsequent Capital Raising.

The Group issued 2,741,342 convertible notes convertible into fully paid ordinary shares in the capital of the Group with a combined face value of \$ 274,134.

Each Note has an individual face value of \$1 and is redeemable after 4 years or 1 business day prior to any initial public offering date. Interest is payable on the Individual Face Value of each Note payable monthly in advance, at the interest rate of 10% per annum. Noteholders may elect to convert Notes and any capitalised or accrued interest due and payable to Noteholders, into Shares prior to or on Maturity date at a conversion rate of \$0.10 per Share.

## Notes to the Financial Statements continued

for the year ended 30 June 2020

## Note 17. Equity - Issued Capital

	2020	2019
	\$	\$
Issue of shares	8,478,055	5,358,054
Share issue costs	(339,182)	(176,097)
<b>Total share capital</b>	<b>8,138,873</b>	<b>5,181,957</b>

DETAILS	2020 SHARES	2019 SHARES	2020 \$	2019 \$
Ordinary shares - fully paid	<b>131,750,999</b>	<b>107,751,000</b>	<b>8,138,873</b>	<b>5,181,957</b>

Movement in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE	\$
<b>Opening Balance 1 July 2018</b>		<b>66,901,000</b>		<b>1,273,054</b>
Issue of shares	Jul-18	3,000,000	\$0.10	300,000
Issue of shares	Jul-18	1,000,000	\$0.10	100,000
Issue of shares	Jul-18	100,000	\$0.10	10,000
Issue of shares	Dec-18	150,000	\$0.10	15,000
Issue of shares	Oct-18	36,600,000	\$0.10	3,660,000
Share issue transaction cost		-		(176,097)
<b>Closing Balance 30 June 2019</b>		<b>107,751,000</b>		<b>5,181,957</b>
		-		-
<b>Opening Balance 1 July 2019</b>		<b>107,751,000</b>		-
Issue of shares	Aug-19	23,999,999	\$0.13	3,120,001
Share issue transaction cost		-		(163,085)
<b>Closing Balance as at 30 June 2020</b>		<b>131,750,999</b>		<b>8,138,873</b>

## Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group 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 18. Equity - accumulated losses

	2020	2019
	\$	\$
Accumulated losses at the beginning of the financial year	(2,621,811)	(436,577)
Retained Earnings	(5,111,261)	(2,185,234)
<b>Accumulated losses at the end of the financial year</b>	<b>(7,733,072)</b>	<b>(2,621,811)</b>

## Note 19. Equity - Reserves

	2020	2019
	\$	\$
Share-based payments reserve	1,107,903	-
	<b>1,107,903</b>	<b>-</b>

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 20. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Group appointed former iiNet CEO David Buckingham as its new chairman in September 2020. David Buckingham has a strong financial background and telecommunications history both in Australia and overseas, previously spending eight years with iiNet prior to leaving in 2015. His eight-year tenure with iiNet saw him lead the company as chief executive officer following five years in the role of chief financial officer. After iiNet, Buckingham was the CEO of Navitas and has also held senior financial roles in the UK with Virgin Media and Telewest Global.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Note 21. Financial instruments

#### Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity.

#### Market Risk

##### Foreign Currency Risk

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

##### Price Risk

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

##### Interest rate risk

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

The Consolidated Entity's loans outstanding, totaling \$4,533,850 (2019: \$1,786,044), including Convertible Note Loans. As the interest rate is fixed, there is no interest rate risk.

##### Credit Risk

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

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

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 21. Financial instruments continued

#### Liquidity risk

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

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

#### Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities.

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

	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Remaining contractual maturities
<b>Consolidated - 2020</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payable	-	759,272				759,272
Other Payables	-	511,293				511,293
<b>Interest Bearing - fixed rate</b>						
Convertible Note Loan	10%	2,500,834	274,134			2,774,968
Other Loans	4.9%	82,215	80,404	22,333	15,677	200,629
Lease Liability	3.50%	314,044	327,408	542,021		1,183,473
<b>Total non-derivative</b>		<b>4,167,658</b>	<b>681,946</b>	<b>564,354</b>	<b>15,677</b>	<b>5,429,635</b>

	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Remaining contractual maturities
<b>Consolidated - 2019</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payable	-	313,800				313,800
Other Payables	-	121,470				121,470
<b>Interest Bearing - fixed rate</b>						
Convertible Note Loan	10%			274,134		274,134
Other Loans	8.1%	18,498	7,776	8,236	5,017	39,527
Lease Liability	3.50%	439,501	325,546	864,789	39,279	1,669,115
<b>Total non-derivative</b>		<b>893,269</b>	<b>333,322</b>	<b>1,147,159</b>	<b>44,296</b>	<b>2,418,046</b>

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

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 22. Fair value of financial instruments

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

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

### Note 23. Key management personnel disclosure

#### Compensation

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

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	294,057	218,712
Post-employment benefits	27,683	20,407
Share-based payments	241,975	-
<b>Total KMP compensation</b>	<b>563,715</b>	<b>239,119</b>

Short-term Employee benefits

These amounts include all salary, paid leave benefits and fringe benefits paid to directors and Key Management Personnel

Post-employment benefits

These amounts are the superannuation payment made during the year.

Key Management personnel of the Group are the executive directors of the board

### Note 24. Remuneration of auditors

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

	2020	2019
	\$	\$
Audit services - BDO Audit (WA) Pty Ltd	28,500	28,500
Audit or review of the financial statements	-	-

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 25. Contingent assets

There are no Contingent Assets as at 30 June 2020.

### Note 26. Contingent liabilities

There are no Contingent Liabilities as at 30 June 2020.

### Note 27. Commitments

There are no Commitments as at 30 June 2020.

### Note 28. Related party transactions

#### Parent entity

Pentanet Ltd is the parent entity.

#### Subsidiaries

Interest in subsidiaries are set out in note 29

#### Key Management personnel

Disclosure to Key Management are set out in note 23

#### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Payment of Interest on Related Party Loans	54,365	27,219
<b>Loans from related parties</b>		
Convertible Note Loan	1,375,935	74,134

#### Terms and conditions

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

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 29. Interest in subsidiaries

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/ COUNTRY OF INCORPORATION	Ownership interest held by the Group	
		2020	2019
		%	%
Pentanet.GG Pty Ltd	Perth, Australia	100%	100%
Pentatech Pty Ltd	Perth, Australia	100%	100%
Pentacomm Pty Ltd	Perth, Australia	100%	100%

### Note 30. Parent Entity Information

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

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

	PARENT	
	2020	2019
	\$	\$
Loss after income tax for the year	(4,799,936)	(2,180,305)
<b>Total comprehensive income</b>	<b>(4,799,936)</b>	<b>(2,180,305)</b>

#### Statement of financial position

	PARENT	
	2020	2019
	\$	\$
Assets		
Current Assets	<b>2,122,186</b>	<b>859,361</b>
Non-current Assets	<b>5,760,205</b>	<b>4,117,328</b>
Total Assets	<b>7,882,391</b>	<b>4,976,689</b>
Liabilities		
Current Liabilities	<b>4,484,749</b>	<b>933,429</b>
Non-Current Liabilities	<b>1,567,684</b>	<b>1,478,185</b>
Total Liabilities	<b>6,052,433</b>	<b>2,411,614</b>
Net Assets	<b>1,829,958</b>	<b>2,565,075</b>
Equity		
Issued Capital	8,138,873	5,181,957
Reserves	1,107,903	-
Accumulated Loss	(7,416,818)	(2,616,882)
	<b>1,829,958</b>	<b>2,565,075</b>

## Notes to the Financial Statements continued

for the year ended 30 June 2020

The parent company has not entered into any guarantees in relation to the debt of the subsidiary. Details of any contractual commitments of the parent entity are disclosed in Note 30 in this financial report.

Net assets is higher than the Consolidated Entity as result of the intercompany loan receivable and investment in subsidiaries being eliminated on consolidation.

### Note 31. Earnings per share

	CONSOLIDATED	
	2020	2019
	\$	\$
Loss after income tax	(5,111,261)	(2,185,234)
<b>Loss after income tax attributable to the owners of Pentanet Group Ltd</b>	<b>(5,111,261)</b>	<b>(2,185,234)</b>
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	127,805,794	96,642,509
Adjustment for calculation of diluted earnings per share:		
Options over ordinary shares	12,883,979	3,683,859
<b>Weighted average number of ordinary shares used in calculating diluted earnings per share</b>	<b>140,689,773</b>	<b>100,326,368</b>
	CENTS	CENTS
Basic earning/(loss) per share	(0.04)	(0.02)
Diluted earning/(loss) per share	(0.04)	(0.02)

### Note 32. 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:

Class	Grant date	Expiry date	Number granted	Value at grant date	Vested at 30 June 2020	Unvested at 30 June 2020	Number vested at 30 June 2020	Number unvested at 30 June 2020
				\$	\$	\$		
1	27/09/2019	5/04/2022	2,000,000	164,294	164,294	-	2,000,000	-
2	27/09/2019	31/12/2020	5,215,000	545,609	545,609	-	5,215,000	-
3	27/09/2019	30/06/2021	3,555,000	229,392	229,392	-	3,555,000	-
4	27/09/2019	30/06/2021	6,955,000	448,782	-	448,782	-	6,955,000
5	27/09/2019	30/06/2021	4,355,000	281,013	168,608	112,405	-	4,355,000

## Notes to the Financial Statements continued

for the year ended 30 June 2020

### Note 32. Share-based payment continued

Class	Number	Vesting Condition	Probability of Vesting
1	2,000,000	Vest on issue. (Vesting during the year)	100%
2	5,215,000	Vest on issue. (Vesting during the year)	100%
3	3,555,000	Vest when the Company obtain 5,000 customers. (Vested during the year)	100%
4	6,955,000	Vest when the Company generates at least \$2m EBITDA.	0%
5	4,355,000	Vest when the Company obtain 10,000 customers. (Expected to vest December 2020)	100%

No options were exercised, expired or forfeited during the year.

The weighted average options exercise price of all unexercised options on issue at the end of the financial year is \$ 0.072

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1 year

## Directors' Declaration

for the year ended 30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Group 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 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Timothy John Cornish

Director

4<sup>th</sup> of November 2020

Perth

# Independent Auditor's Report

for the year ended 30 June 2020



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## INDEPENDENT AUDITOR'S REPORT

To the members of Pentanet Limited

### Report on the Audit of the Financial Report

#### Opinion

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

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

## Independent Auditor's Report

for the year ended 30 June 2020



### **Material uncertainty related 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 opinion is not modified in respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

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

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

### **Responsibilities of the directors for the Financial Report**

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

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

### **Auditor's responsibilities for the audit of the Financial Report**

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

## Independent Auditor's Report

for the year ended 30 June 2020



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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

**BDO Audit (WA) Pty Ltd**

BDO  


**Glyn O'Brien**

**Director**

Perth, 4 November 2020