PENTANET CONTINUES GROWTH IN TELECOMMUNICATIONS AND GAMING SEGMENTS

HIGHLIGHTS:

- 20% YoY increase in revenue to $4.7m (+2% QoQ)
- $4.7m in quarterly cash receipts from subscribers, up 29% YoY
- 17,030 telecommunications subscribers on 30 September 2022, up 23% YoY (+2% QoQ)
- 993 subscribers were added to the network in the September 2022 quarter
- On-net (fixed wireless) customers made up 39% of total subscribers
- Over 13,000+ registrations of interest for neXus and over 700 neXus units installed by the end of September 2022
- GeForce NOW cloud gaming new membership plans launched in September. Memberships exceeded 252,000 with over 167 million minutes of streamed gameplay
- On 24 October 2022, Pentanet entered into agreements with Westpac Banking Corporation for facilities totaling $5,000,000 for capital expansion

Pentanet Managing Director, Mr Stephen Cornish, said, "After reaching another significant milestone, with the launch of a new suite of membership plans for GeForce NOW and continued advancement in the phase one deployment of neXus in Q1FY23, we're on the right path to reaccelerate our growth. We will continue our focus on expanding our on-net coverage to create what we believe to be a significant long-term business advantage."

OPERATIONAL

GeForce NOW Cloud Gaming

In Q1FY23, demand for GeForce NOW cloud gaming has remained strong, with registered membership growing 34% QoQ from 182,000 to 252,000 registered members. Game sessions have increased by 13% QoQ to over 167 million minutes now played on the platform.

In September 2022, the Company reached another significant milestone with the launch of a new suite of membership plans for GeForce NOW cloud gaming in Australia. In line with the core components of the Company's gaming segment strategy, the initial launch plan tiers were designed to increase awareness of the platform and capture users in a brand-new market for Australia. The second phase of the strategy has seen the Company focusing on refining user acquisition and converting free users to paid users. With the release of refreshed mid-market membership tiers on 28 September 2022, the paid membership has grown by 20% in the first month, which translated into a 13% increase in month-on-month revenue.

GeForce NOW is also available on the two largest TV brands in the world, Samsung and LG, expanding the platform's market opportunity and membership reach where gamers can now find it natively on all 2022 Samsung smart TVs and LG TVs. In addition, the platform has more than 1,400 games available to stream from the GeForce NOW library.

With continued strong growth since commercial launch, variable platform utilisation costs remained relatively

constant, leading to no significant change in underlying operating costs of the service as the platform continues to accrue users. As such, the Company is confident that introducing mid-tier plans can deliver growth in the platform's earnings profile.

Telecommunications

By the end of Q1FY23, over 700 'MeshyBoi' units had been deployed in neXus enabled areas in the Perth metropolitan area, ready to have service activated during this new quarter. Supported by the Company's planned quarterly marketing activity to drive further new sales and installations, the neXus registrations of interest (ROIs) now exceed 13,000, setting a strong foundation for the Company's coverage expansion efforts to support higher margin on-net subscriber growth. The additional coverage created by neXus will also allow the Company to leverage more value from the existing infrastructure without impacting network quality by alleviating high-demand capacity constraints and ultimately improving the quality of service and experience.

Phase one of the neXus rollouts has continued throughout Q1FY23 as the Company continues to grow neXus to its final form, focusing on multi-path redundancies and resilience and the network's benefits over other forms of wireless technologies. In the early stages of the phase one rollout, the Company encountered unforeseeable hardware challenges in a small number of the 15 initial launch suburbs that intermittently disrupted the consistency of the mesh network topology, resulting in periodic speed and latency fluctuations. This hampered the speed of the rollout while dedicated engineering resources were deployed to investigate the issues with the neXus hardware supplier.

The Company's network engineers have now identified the cause, with the issues being addressed in conjunction with related stakeholders over the coming weeks. Critical changes that have been deployed have already seen a reduction in network fluctuations and the Company's engineers are continuously monitoring the impact of these changes.

In addition, the Company identified that the network performance improves when a grid of new connections is brought online after sufficient redundancy paths have been built into the network instead of individual activations on the day of installation. This has led to a delay in activations for some subscribers. The Company is currently focusing on increasing neXus capacity to build sufficient redundancy before bringing a particular grid online.

In September 2022, the Company announced a $4-$5 price increase across off-net services (NBN and Opticomm) that will come into effect on 1 October 2022. These increases were required to counter inflationary impacts being incurred on the Company's underlying network and operational cost structures and to deliver acceptable profitability on these low margin wholesale-based services.

Monthly customer churn has increased marginally from 1.09% to 1.26%, with the majority of churn notices received in Q1FY23 relating to off-net subscribers primarily attributable to the price increase notification sent out in early September 2022. Excluding the customer churn due to the price increase, total churn has remained consistent with Q4FY22 at 1.09%. Churn on the Company's on-net subscriber base improved marginally from 0.96% to 0.95% in Q1FY23.

New subscriber growth slowed in Q1FY23, mainly impacted by the delays experienced in neXus activations due to the hardware challenges the Company faced in the phase one rollout. However, the buffer of 700+ already-installed services will provide a boost to new subscribers in Q2FY23 in addition to further potential expansion of the neXus network grid from normal sales and marketing activity.

Telecommunications revenue grew by 2% QoQ and 22% YoY to $4.5 million, and recurring revenue for Q1FY23 grew by 4% QoQ and 30% YoY. Recurring revenue comprises 95% of total revenue. Blended ARPU has decreased marginally from $89 in Q4FY22 to $88 in Q1FY23, whilst ARPU across off-net service types has improved by $1 QoQ. ARPU for on-net service types has remained consistent at $88 QoQ, whilst on-net gross margin saw a 2% improvement from 86% in Q4FY22 to 88% in Q1FY23. As a result, overall gross profit improved marginally by 2% QoQ to $2 million and by a healthy 17% YoY, whilst gross margin percentage remained consistent at 45%.

With the majority of neXus campaign launch costs captured in the FY22 financial year, advertising and marketing expenses decreased from 10% to 8% in Q1FY23. Since the neXus commercial launch in June 2022, the Company's focus has shifted to converting neXus campaign registrations of interest to paying subscribers.

FINANCIAL AND CORPORATE

Cash received from customers remained consistent QoQ at $4.7 million Q1FY23 but grew strongly by +29% YoY. Operating cash payments also reduced 13% from $6.6 million in Q4FY22 to $5.7 million in Q1FY23, led by lower product manufacturing and operating costs that were down QoQ by 13% from $3 million to $2.6 million, staff costs that were down 17% QoQ from $1.9 million to $1.6 million, and advertising costs down by 46% QoQ from $1 million to $0.5 million. As a result, net operating cash outflow reduced significantly by 47% QoQ to $1.0m in Q1FY23 as the Company pushes toward achieving its key financial goal of break-even operating performance.

Net cash used in investing activities increased by 88% from $1.7 million in Q4FY22 to $3.2 million (+42% YoY). The increase is mainly attributable to the second $1.6 million payment of the $8 million, 15-year licence for high band 5G spectrum in the 26 GHz band. Using this spectrum, Pentanet has recently commenced the upgrade of parts of its core tower infrastructure to utilise the Spectrum in order to provide significant additional capacity and redundancy across its existing and new neXus network footprint in Perth. The Company also continued to invest in network infrastructure in preparation for the scaled neXus deployment, accompanying tower upgrades and mitigating supply chain risk.

The Company has cash reserves of $9 million to dynamically scale its higher-margin on-net services as it continues to bring better ways to connect the people of Perth, using new technologies to ultimately bring Perth faster bandwidth at more affordable prices.

The Company recently announced that it has entered into agreements with Westpac Banking Corporation for facilities totalling $5,000,000 with a five-year term. In line with the company's growth strategy and coverage expansion plans, these funds will be utilised to fund capital infrastructure.

USE OF FUNDS AND RELATED PARTY TRANSACTIONS

The Company raised approximately $22.5 million dollars before costs through its initial public offering (IPO) in January 2021 and an additional $20.0 million before costs through placement in June 2021 (Placement). The September 2022 quarter is included in a period covered by the use of funds statement contained in the IPO prospectus lodged with ASX under Listing Rule 1.1 condition 3.

The following table shows the source of funds before costs outlined in the Company's IPO prospectus compared to actual sources of funds available before costs to the Company during the period commencing 27 January 2021 to 30 September 2022.

Source of funds	Prospectus	Actual
	$'000	**$'000**
Approximate cash as at the date of the IPO prospectus/opening cash balance	1,508	1,508
Proceeds from the IPO offer	22,460	22,460
Proceeds from Placement – June 2021		20,000
Proceeds from the exercise of options	-	501
Total fund available (before costs)	23,968	44,469

In accordance with ASX listing rule 4.7C.2, the Company provides below the use of funds comparison table showing actual expenditure for the period commencing on 27 January 2021 to 30 September 2022 compared to the estimated expenditure in the use of funds statement contained in the Company's IPO prospectus. The Company was admitted to the Official List of the ASX on 27 January 2021. The use of funds table contained in the Company's IPO prospectus did not include the anticipated access to additional sources of funding (set out above), including the proceeds from the Placement.

The following table shows the intended use of funds in the two-year period following admission to the ASX (as outlined in the Company's IPO prospectus) compared to the actual expenditure to 30 September 2022:

Use of funds	**Prospectus**	**Actual to Date (27 January to 30 September 2022)**	**Comment**
	$'000	$'000	
Wireless infrastructure	8,990	10,564	Ahead of schedule refer to Note 1
Network infrastructure	1,500	1,368	In line with schedule
NVIDIA cloud gaming infrastructure	4,020	6,827	Ahead of schedule refer to Note 1
CloudGG software development & gaming opportunities	-	4,000	Ahead of schedule refer to Note 1
Working capital and administration	6,500	7,196	Ahead of schedule refer to Note 1
Costs of the Offer	1,450	2,305	Refer to Note 1
Total Funds allocated	22,460	32,261	

Comments:

1. The proposed use of funds outlined in the Company's initial listing prospectus did not include anticipated access to additional sources of capital funding as outlined above in the proceeds from a placement to sophisticated and institutional investors of $20 million (before costs) in June 2021.

With the receipt of additional source of funds, the Company was able to purchase additional NVIDIA's GeForce NOW infrastructure, secure additional Terragraph equipment for the accelerated rollout of neXus and accompanying tower upgrades and acquire a 13.4% stake in CANOPUS Networks for $4m in cash.

In accordance with ASX Listing Rule 4.7C.3, payments in the September 2022 quarter to related parties (and their associates) of $301,165 included at Item 6 in the Appendix 4C consisted of directors' fees and director associate fees and rent and accounting services paid to associates of directors.

This announcement has been authorised for release by the Managing Director of Pentanet Limited, Mr Stephen Cornish.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Mr. Stephen Cornish Managing Director	Mr. Patrick Holywell Company Secretary	Ms. Mart-Marie Derman Chief Financial Officer

About Pentanet

Pentanet is a Perth-based, growth-focused telco delivering high-speed internet to a growing number of subscribers by providing them with next-generation internet speeds. This is achieved through Pentanet's market-leading private fixed-wireless network, the largest in Perth, as well as reselling fixed-line services such as NBN, where its wireless is not yet available.

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

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

Pentanet was listed as #28 in the Deloitte Technology Fast 500™ Asia Pacific 2020, a ranking of the region's 500 fastest growing technology companies. On top of the Company's #28 overall ranking, Pentanet also ranked #3 for Australian companies on the list.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity
PENTANET LTD

ABN	Quarter ended ("current quarter")
29 617 506 579	September 2022

Consolidated statement of cash flows			Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		4,720	4,720
1.2	Payments for			
	(a)	research and development	-	-
	(b)	product manufacturing and operating costs	(2,628)	(2,628)
	(c)	advertising and marketing	(518)	(518)
	(d)	leased assets	(20)	(20)
	(e)	staff costs	(1,591)	(1,591)
	(f)	administration and corporate costs	(984)	(984)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		7	7
1.5	Interest and other costs of finance paid		(83)	(83)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		78	78
1.8	Other (provide details if material)		-	-
1.9	**Net cash from / (used in) operating activities**		**(1,019)**	**(1,019)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire or for:			
	(a)	entities	-	-
	(b)	businesses	-	-
	(c)	property, plant and equipment	(1,331)	(1,331)
	(d)	investments	-	-
	(e)	intellectual property	-	-
	(f)	other non-current assets	(1,801)	(1,801)

	Consolidated statement of cash flows	Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(3,132)**	**(3,132)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(60)	(60)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	13,388	13,388
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,019)	(1,019)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,132)	(3,132)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(60)	(60)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**9,177**	**9,177**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	9,177	13,388
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**9,177**	**13,388**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	301
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	800	428
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**		

7.5	**Unused financing facilities available at quarter end**	372

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The loan facility is a secured revolving credit facility to the value of $800,000 with Toyota Fleet Management and relates to the fleet and installation vehicles. The loan is secured. Interest rates range between 3 and 4.2%

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,019)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,177
8.3	Unused finance facilities available at quarter end (item 7.5)	372
8.4	Total available funding (item 8.2 + item 8.3)	9,549
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	9

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022..

Authorised by: ....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.