



pngair



2025 ANNUAL REPORT



THE PEOPLE'S CHOICE.

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OUR VALUE

For nearly four decades, PNG Air has proudly connected the people of Papua New Guinea with safe, reliable, and affordable air services. Listed on the Port Moresby Stock Exchange since 2008, the airline is majority-owned by Papua New Guinean institutions—including the MRDC Group, Nasfund and Pacific Balanced Fund and supported by approximately 2,900 local shareholders.

PNG Air remains committed to being an airline for Papua New Guineans, owned by Papua New Guineans.

As PNG's next generation airline, we're proud of our role connecting people throughout our country. Through the many miles we fly, we want to be with you every step of the way, whether it's in business, friendship or family life, we understand how important connections are as we continue take pride in serving the people and this beautiful Nation of Papua New Guinea.

We do this by flying to more places with the newest aircraft in PNG. We're growing our ATR 72-600 fleet to connect Papua New Guinea in the biggest cities and towns, and also in the smallest villages. This will open up new opportunities, and a newer, brighter, stronger future for all Papua New Guineans. No matter where you are flying we'll stay true to our promise. You will receive warmest welcome with PNG Air.

Our Vision

Striving to be Papua New Guinea's First Choice Domestic Airline.

Our Mission

Our Airline is committed to deliver safe, reliable, on time travel, coupled with quality customer service, connecting the people of Papua New Guinea whilst respecting our country's diverse cultural heritage and recognizing its unique natural environment.

Our Values

- **Safety and Quality**
Compliance to our evolving safety and quality management systems are cultural cornerstones enabling PNG Air to deliver safe air operations for its customers.
- **Customer Focus**
We welcome and value our customers while recognizing they are the lifeblood of our business.
- **Stakeholders**
Our shareholders, business partners and employees are our investment community facilitating the delivery of safe, cost effective and reliable air services necessary to drive socio-economic development whilst protecting our cultural and environmental heritage.
- **Honesty & Accountability**
Our Board, Management and Employees are all responsible for the success of PNG Air and accountable for our actions.
- **Constant Improvement**
We are committed to high standards and continually improve what we do. We look for ways to do better, welcome challenges and try new things.
- **Gender Equality**
We promote gender equality across our Board, Management and organisation.

OUR BRAND – Connecting People, Powering the Future

People Connecting People

PNG Air's brand is anchored in a simple yet powerful purpose—connecting people across Papua New Guinea. More than transportation, this reflects our role as a vital enabler of economic activity, social cohesion, and national development. Across a geographically complex landscape, PNG Air serves as a bridge between communities, businesses, and opportunities, reinforcing its position as a trusted national carrier.

People-Centric Airline

PNG Air is fundamentally a people company as much as it is an airline. Every aspect of our operations—from safety and reliability to customer service and network planning—is designed to meet the needs of the people and communities we serve. By facilitating movement across the country, we contribute directly to economic participation, access to essential services, and national integration. This people-first philosophy remains central to our strategy and decision-making.

Brand Personality

Our brand is defined by three core attributes that shape how we operate and engage:

- **Vibrant** – Reflecting the colour, diversity, and cultural richness of Papua New Guinea, our brand celebrates the uniqueness of our nation and its people.
- **Dependable** – Safety, reliability, and operational consistency are at the heart of our service offering, ensuring passengers and partners can rely on us with confidence.
- **Engaging** – We are approachable, customer-focused, and connected, building meaningful relationships with our passengers, partners, and communities.

Together, these attributes differentiate PNG Air as a modern, responsive, and customer-centric airline.

Values in Action

Our values guide our behaviour and define how we deliver on our brand promise:

- **Safety and reliability first** – We prioritise operational excellence and maintain the highest standards of aviation safety.
- **Integrity and accountability** – We act transparently and responsibly in all dealings with stakeholders.
- **Warm, inclusive service** – We foster a welcoming environment, ensuring all customers feel valued and respected.

These principles underpin the trust placed in PNG Air by customers, partners, and the wider community.

Transformation & Innovation

PNG Air is undergoing a significant transformation as it transitions to a modern ATR fleet, enhancing operational efficiency, reliability, and environmental performance. This fleet renewal represents a strategic step toward a next-generation airline, enabling improved service delivery, better on-time performance, and reduced operating costs. At the same time, PNG Air is embedding innovation across its operations—leveraging technology, improving processes, and enhancing customer experience—to ensure it remains competitive in an evolving aviation landscape.

National Impact

PNG Air plays a critical role in supporting Papua New Guinea's development by:

- Connecting remote and underserved communities to major economic centres
- Supporting resource sector operations through reliable charter and logistics services
- Enabling trade, tourism, and workforce mobility across the country

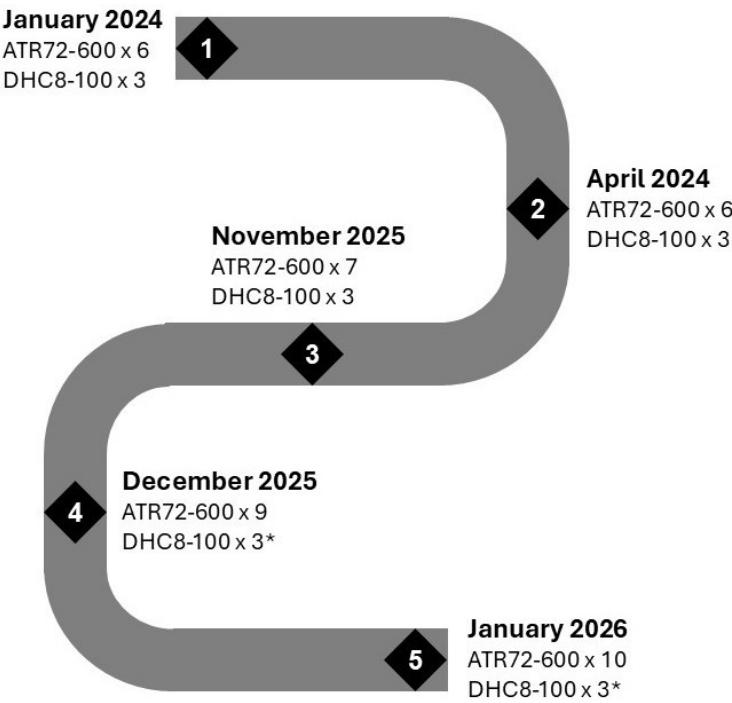
Through these contributions, PNG Air is not only an airline but also a key enabler of economic growth and social progress.

OUR COMMUNITY SERVICE



BUK BILONG OL PIKININI!

OUR FLEET



(*) Held for Sale



CHAIRMAN AND CEO REPORT

Welcome to PNG Air's 2025 Annual Report.

OVERVIEW

The 2025 financial year marked a pivotal period in PNG Air's transformation journey, as the Group progressed from restructuring toward operational recovery and fleet modernisation. While the year presented operational and financial challenges, the Company achieved significant strategic milestones that position the airline for sustainable long-term growth.

For the financial year ended 31 December 2025, PNG Air reported revenue of K326.5 million, representing a significant increase from K253.9 million in 2024, reflecting improved charter performance and gradual restoration of scheduled passenger capacity. The Group recorded a pre-tax loss of K12.2 million (2024: pre-tax loss of K26.2 million), demonstrating a substantial improvement in financial performance year-on-year. Net loss after tax for the year was K9.9 million compared to K20.3 million in 2024.

Operating cash flow remained positive, with the Group generating K39.0 million in operating cash inflows, supporting ongoing operations and strategic investments. Cash balances improved to K27.3 million at year end, compared to K4.4 million in the prior year.

The improvement in operating performance reflects stronger charter demand, improved operational reliability, and early benefits from fleet transition initiatives implemented during the year.



Augustine Mano
Chairman

Strategic Transformation and Fleet Renewal

During 2025, PNG Air progressed its fleet transformation strategy aimed at replacing the ageing Dash-8 fleet with modern ATR aircraft. The Board endorsed the continuation of the three-year strategic plan focused on:

- Fleet modernisation and standardisation
- Retirement and disposal of the Dash-8 fleet
- Expansion of ATR 42-600 and ATR 72-600 fleet
- Strengthening charter market presence
- Network expansion and improved connectivity
- Cost efficiency and operational resilience

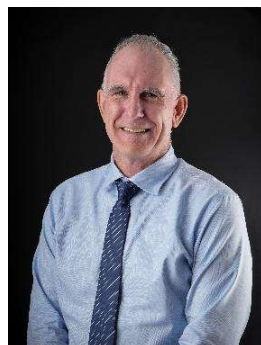
The Group delivered three aircraft during 2025, while sourcing seven additional aircraft to support fleet renewal and expansion. As at the date of signing, four ATR aircraft had commenced operations, with six additional aircraft scheduled for delivery between April and September 2026.

The Company successfully completed a significant capital raising during the 2025 financial year, strengthening its financial position to support ongoing transformation and fleet modernisation. Following shareholder approval on 8 September 2025 to issue up to one billion new ordinary shares at 2 toea per share to raise up to PGK20 million, the offer was subsequently increased to PGK35 million on 28 November 2025 in response to strong investor demand. The capital raising was finalised in December 2025, with a total of 1,490,290,800 new shares issued, generating gross proceeds of PGK29.8 million. The Board extends its sincere appreciation to Weathermen Capital Advisors for their professionalism and support in successfully executing this important transaction, as well as to our shareholders and new investors for their continued confidence in PNG Air's future.

Financial Position

Total assets increased to K640.3 million (2024: K355.0 million), reflecting recognition of aircraft-related assets, pre-delivery payments and right-of-use assets associated with fleet expansion.

Net liabilities improved significantly to K12.9 million, compared to K30.6 million in 2024, reflecting capital raising initiatives and improved operating performance.



While the Group continues to report net liabilities, management and the Board remain confident that the strategic fleet transition, improved operating performance, and shareholder support will return the Group to positive equity.

Brian Fraser
Chief Executive Officer

CHAIRMAN AND CEO REPORT

Outlook

Looking ahead, 2026 represents a critical year in PNG Air's transformation as the Group transitions to a modernised fleet and positions itself for sustainable profitability. The Company's strategic priorities for the year include:

- Completion of ATR fleet induction – The phased delivery of additional ATR aircraft during 2026 will complete the transition to a simplified and more efficient fleet structure, improving operational reliability and lowering long-term maintenance costs.
- Full retirement of the Dash-8 fleet – The planned disposal of the remaining Dash-8 aircraft and associated spare parts will remove legacy cost structures and allow management to focus on a single fleet type aligned with the Group's long-term operating model.
- Restoration of scheduled passenger capacity – Increased fleet availability will enable the Group to progressively rebuild its scheduled network, improve frequency on key routes, and restore connectivity across Papua New Guinea.
- Expansion of charter contracts – PNG Air will continue to strengthen relationships with resource sector customers and pursue long-term charter opportunities to provide stable and diversified revenue streams.
- Cost optimisation initiatives – Management will continue to implement operational efficiencies, including improved aircraft utilisation, streamlined maintenance planning, and disciplined overhead management.
- Balance sheet strengthening – Ongoing capital initiatives, improved operating performance, and fleet rationalisation are expected to further strengthen the Group's financial position and liquidity.
- Return to profitability – With improved fleet efficiency, restored capacity, and continued charter demand, the Group is focused on delivering a return to sustainable profitability.

The arrival of additional ATR aircraft will enable PNG Air to rebuild market share, enhance operational resilience, and deliver improved service reliability and customer experience. The Board and management remain confident that the strategic transformation underway will position PNG Air for sustainable growth and improved financial performance in 2026 and beyond.

Acknowledgement

We, the Board Chairman and Chief Executive Officer, warmly welcome Gheno Minia as our newest Board member, and extend our sincere appreciation to our customers, shareholders, creditors, and employees for their steadfast support throughout this period of transformation. We acknowledge the professionalism and resilience of our people, whose dedication has sustained operations under demanding circumstances, and the continued confidence of our shareholders and creditors in the airline's recovery and long-term growth strategy.

Together, we are rebuilding PNG Air, making it the "people's choice", stronger, more reliable, and ready to serve Papua New Guinea with renewed pride.

BOARD OF DIRECTORS



AUGUSTINE MANO

DIRECTOR since 2010 and *CHAIRMAN* since 30 July 2021

Mr. Mano was appointed as Chairman on 30 July 2021. Mr. Mano is the Managing Director and Chief Executive Officer of Mineral Resources Development Company, a position he has held since 2008. He is also a Director on the boards of all MRDC subsidiaries, and chairs the board of investment companies Star Mountain Plaza Ltd, Pearl Resort Fiji, and Taumeasina Resort Samoa. He also serves as Chairman of the Southern Highlands and Gulf Provincial Health Boards. Mr. Mano has more than 20 years expertise in oil, gas, mining, civil construction, aviation, transportation, insurance, financing, real estate, property development, medical, hospitality, high level state negotiations, landowner matters and partnership in community developments.

WATT KIDDIE

DIRECTOR since 2015, Deputy Chairman since 30 July 2021 and Chairperson of Board Audit & Risk Compliance Committee (BARCC)

Mr. Kiddie is an independent Director. He is a highly experienced PNG accountant (CPA), practising for 37 years and Registered Company Auditor. Mr. Kiddie has served in the Board of PNG Accountants Registration Board of PNG for 30 years. He is founder of PNG Peace & Gutpela Sindaun Foundation. He is an Executive Chairman for Wooner Trading Limited for the last 21 years.



EDWARD MATANE

DIRECTOR since 2015

Mr. Matane was appointed as a director on 21 January 2015. Since 2012, Mr. Matane has been Oil search's Aviation Logistics Coordinator and brings professional aviation expertise and PNG aviation market knowledge to the Board. Mr. Matane worked for Air Niugini for 13 years in maintenance and flight engineering positions. He then then joined Air Link as Deputy Chief Engineer until 1994 before re-joining Air Niugini in 1995 in various roles, culminating in the position of Manager, Special Projects Department (administering and fostering relationships with mining company clients). He then joined Pacific Helicopters in July 2023 as and currently the CEO.

SIMON WOOLCOTT

DIRECTOR since November 2020 and resigned on 2 February 2019 and later re-appointed on 27 May 2025.

Mr Woolcott is a qualified Certified Practising Accountant (CPA PNG and CPA Australia) and member of the Australian Institute of Company Directors. With over 20 years of experience in accountancy and finance in PNG, he has held senior executive roles including Chief Financial Officer of Mineral Resources Development Company Limited (MRDC) and PNG Air Limited as well as senior finance positions at Steamships Trading Company Limited. Mr Woolcott has extensive board-level experience across the aviation, financial services, insurance, and logistics sectors in Papua New Guinea.



VALENTINA KAMAN

DIRECTOR since April 2023 and Chairlady of the Remuneration and nomination Committee (RNC)

Ms. Kaman was appointed as a director in April 2023 and was nominated by MRDC. Ms. Kaman is a lawyer by background, with more than 15 years in the extractive sector. She also currently serves as director to a number of boards, including Digicel Foundation, The Voice Inc, and Tisa Life Insurance.

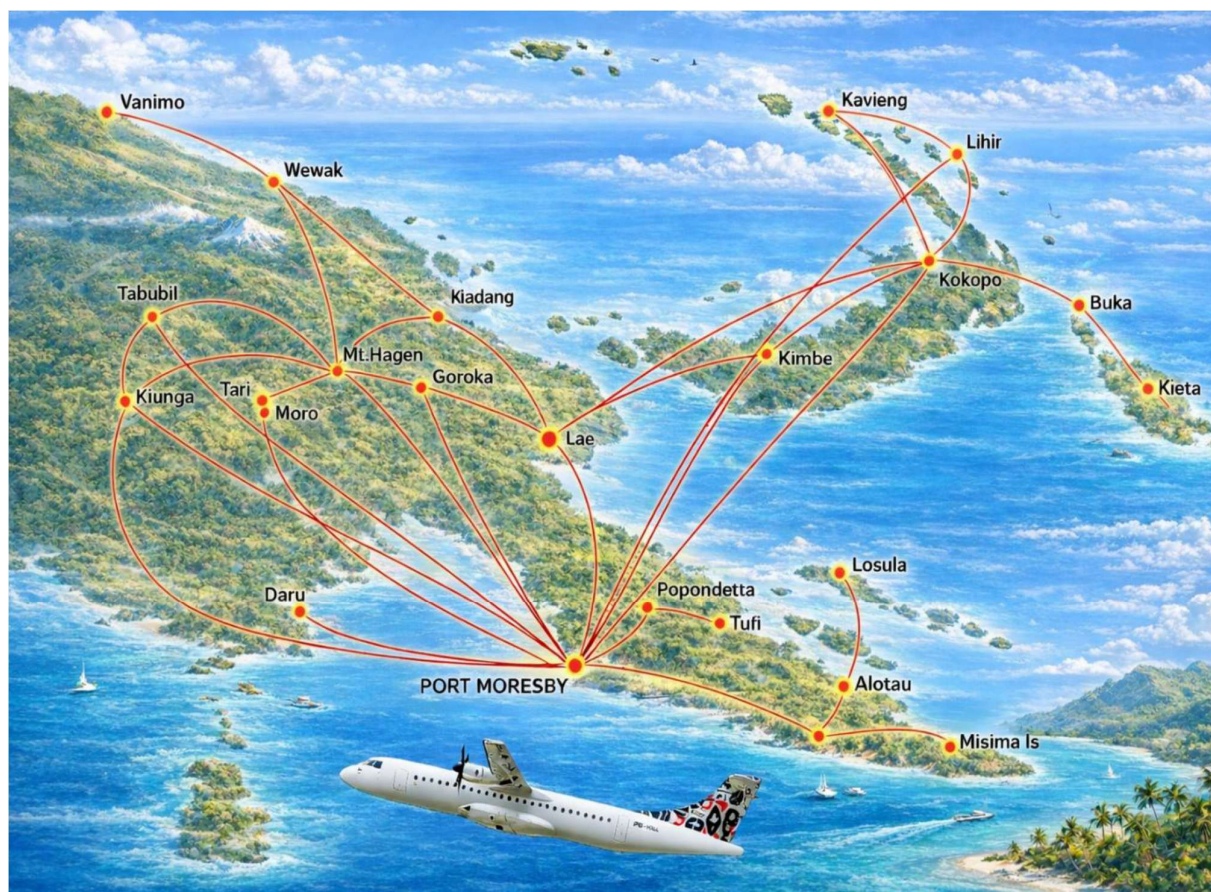
GHENO MINIA

DIRECTOR since February 2026

Mr. Gheno Minia was appointed as an Independent Director of PNG Air in February 2026, having been nominated by Pacific Balanced Fund. Mr. Minia has over 15 years' experience in trustee services and fund management within the capital markets of Papua New Guinea. His background includes fiduciary oversight, investment governance, and the establishment and management of regulated investment and trustee structures, with extensive engagement with boards, regulators, and institutional investors. He is a member of the Australian Institute of Company Directors (AICD).



OUR NETWORK – Where we fly



PNG Air operates to 22 ports across Papua New Guinea, connecting major centers and regional communities throughout the country.

In 2025, we received three ATR aircraft — ATV (MSN 1149), ATX (MSN 1152) and ATW (MSN 1460) — followed by ATY (MSN 1047) in early 2026.

Additional aircraft are scheduled for delivery this year, including three brand-new ATR 42 aircraft and three ATR 42 aircraft acquired from a leasing company, all in 42-seat configuration.

Our fleet currently consists of 10 ATR aircraft in 70- and 72-seat configurations. The aircraft are powered by Pratt & Whitney PW127M engines and are recognized for their strong fuel efficiency to reduce operating costs.

All aircraft are equipped with modern navigation systems, GPS, autopilot and HF radio systems to support safe operations across Papua New Guinea's terrain and weather conditions. Each aircraft is named after a destination within our network, reinforcing our connection to the communities we serve.

CORPORATE GOVERNANCE STATEMENT

The Company has in place corporate governance practices which include an audit committee of the Board. These were originally adopted by the Board on 2 October 2008 and subsequently updated on the 18 March 2009, with further amendments on 29 November 2012 and 7 March 2013. The corporate governance practices also include the adoption of a board charter and specific charters for each of the Audit Risk and Compliance Committee and Remuneration and Nominations Committee of the Board. Following is a summary of those practices:

COMMUNICATION WITH SHAREHOLDERS

The Company's Code of Conduct requires its employees to act with high standards of integrity, transparency, accountability and equity in all aspects of their employment with the Company. With this in mind, the Company commits to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to communicate widely and promptly. The Company commits to facilitating participation in shareholder meetings, and dealing promptly with shareholder enquiries. The Company's shareholder communication policy is built around compliance with disclosure obligations and aspiring to be at the forefront of best practice in disclosure. The framework for communicating with shareholders is to concisely and accurately communicate:

- The Company's strategy;
- How the Company implements that strategy; and
- The financial results consequent upon that strategy and its implementation.

The Company uses shareholder forums such as the Annual General Meeting, and group meetings with larger shareholders, within disclosure policies, to communicate financial performance and strategies.

THE BOARD OF DIRECTORS

The Board, with support of its Committees, is responsible to the shareholders for the overall corporate governance and performance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimizing Company performance and increasing shareholders value. Key functions of the Board include:

- Overall strategy of the Company, including operating, financing, dividend and risk management;
- Appointing the Chief Executive Officer and setting an appropriate remuneration package;
- Endorsing appropriate policy settings for management;
- Reviewing Board composition and performance;
- Reviewing the performance of the Chief Executive Officer;
- Approving a strategic plan and annual budget for the Company and monitoring results on a regular basis;
- Ensuring that appropriate risk management systems are in place and are operating to protect the Company's financial position and assets;
- Ensuring that the Company complies with the law and relevant regulations and conforms to the highest standards of financial and ethical behaviour;
- Acquisitions and disposals material to the business;
- Establishing authority levels;
- Directors' remuneration (via the Remuneration and Nomination Committee);
- Selecting (with the assistance of the Audit, Risk and Compliance Committee) and recommending to shareholders, the appointment of external auditors; and
- Approving financial statements.

THE CHAIRMAN OF THE BOARD

The Chairman is elected by the Directors. The Chairman's role includes:

- Providing effective leadership on the Company's strategy;
- Presenting the views of the Board to the public;
- Ensuring the Board meets regularly throughout the year and that minutes are taken and recorded accurately;
- Setting the agenda of meetings and maintaining proper conduct during meetings; and
- Reviewing the performance of non-executive Directors. The Chairman is not permitted to occupy the role of the Chief Executive Officer.

CORPORATE GOVERNANCE STATEMENT

COMPOSITION OF THE BOARD

The maximum number of Directors, as prescribed by the Constitution approved by the shareholders, is (9). The Board currently consists of 5 Non-executive Directors including the Chairman. The Board tests independence of its members using the following criteria:

- The Director is not an executive of the Company;
- The Director is not a substantial shareholder of the Company or otherwise associated directly with a substantial shareholder of the Company (substantial shareholder is currently defined as more than 15%)
- The Director has not within the last 3 years been a material consultant, or a principal of a material professional adviser, to the Company or a group member, or an employee materially associated with the service provided;
- The Director is not a material supplier to, or a customer of, the Company or other group member or a material consultant to the Company or other group member or an employee materially associated with the material supplier or customer;
- The Director has no material contractual relationship with the Company or other group member other than as a Director of the Company; and
- The Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. Independent Board members are required to review their independence annually. Materiality will be assessed on a case-by-case basis. The Board does not accept that any office bearer and/ or employee of an institutional shareholder has an automatic right to be appointed to the Board by virtue only of his/her position within that Organisation.

BOARD PERFORMANCE REVIEW

The Board regularly assesses its own performance in meeting its responsibilities. It is intended to extend the assessment of the Board as a whole to include an assessment of the contribution of each individual Director. The Board is cognisant of the need to continually identify areas for improvement, to ensure that it meets the highest standards of corporate governance and for the

Board and each Director to make an appropriate contribution to the Company's objective of providing value to all its stakeholders. The performance review is conducted periodically and may involve assistance from external consultants.

BOARD'S RELATIONSHIP WITH MANAGEMENT

The management of the business of the Company is conducted by and under the supervision of the Chief Executive Officer and by those other officers and employees to whom the management function is properly delegated by the Chief Executive Officer.

The Board is responsible for:

- Defining the limits to management's responsibilities;
- Approving the corporate objectives for which the Chief Executive Officer is responsible.

All Directors have unrestricted access to Company records and information and receive regular detailed financial and operational reports to enable them to carry out their duties. The direct reports to the Chief Executive Officer make regular presentations to the Board on their areas of responsibility. The Chairman and the nonexecutive Directors have the opportunity to meet with the Chief Executive Officer and his direct reports for further consultation, and to discuss issues associated with the fulfilment of their roles as Directors. Non-executive Directors may meet on their own periodically to review the performance and management processes of the Company.

BOARD COMMITTEES

To assist in the execution of its responsibilities, the Board has established two Board Committees. Executive Directors may not be members of such Committees. Each Committee has a formal Charter approved by the Board. After amendment of the Audit Risk and Compliance Committees Charter on the 7 March 2013, the members of that Committee may recommend to the Board that a third member, who need not be a Director, be appointed to that Committee. Committee members are chosen for the skills, experience and other qualities they bring to the

Committee. At the next Board meeting following each Committee meeting, the Board is given a report by the Chairman of the relevant Committee.

CORPORATE GOVERNANCE STATEMENT

Audit Risk and Compliance Committee

The Audit Risk and Compliance Committee is comprised of two Non-executive Directors who are independent and who are duly appointed by the Board. The Committee members may recommend appointment of a third member to the Committee by the Board. The Chairman of the Audit Risk and Compliance Committee must be one of the independent Directors and cannot be the Chairman of the Board. Simon Woolcott is currently Chairman of this Committee.

Each member should be capable of making a valuable contribution to the Committee and membership is reviewed annually by the Board. The Key responsibilities of this Committee include:

- Integrity of the Company's financial statements and the financial reporting and audit process;
- External auditor's qualifications, performance and independence;
- The system of internal control and management of all risks;
- The systems for ensuring operational efficiency and cost control;
- The systems for approval and monitoring expenditure including capital expenditure;
- The process for monitoring compliance with laws and regulations (both in Papua New Guinea and overseas).
- Implementation of Board decisions by management and making recommendations to the Board for the appointment of the external auditor;
- Annual internal audit plan and its ongoing review. In the course of fulfilling its mandate, the Committee may meet with both the internal and external auditors without management present.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is comprised of two Non-executive Directors who are independent and who are duly appointed by the Board. The Chairman of the Remuneration and Nomination Committee must be one of the independent Directors and cannot be the Chairman of the Board. Augustine Mano is currently the Chairman of this Committee. Each member should be capable of making a valuable contribution to the Committee and membership is reviewed annually by the Board. The Remuneration and Nomination Committee has been established to assist the Board in fulfilling its oversight responsibilities in respect of Board and executive management selection, appointment, review and remuneration.

The key responsibilities of this Committee include:

- To oversee the selection and appointment of a Chief Executive Officer and recommend an appropriate remuneration and benefits package to the full Board;
- Identify and maintain a clear succession plan for the executive management team, ensuring an appropriate mix of skills and experience as well as appropriate remuneration and benefits packages are in place and reviewed regularly;
- Determine and review appropriate remuneration & benefits of Directors for recommendation to the full Board and subsequently to the shareholders;
- Ensure that the Board itself maintains an appropriate mix of skills and experience necessary to fulfil its responsibilities to shareholders while maintaining a world class corporate governance regime;
- Receive & endorse positions/titles recommend by the Chief Executive Officer from time to time as applying to designated executive management positions;
- Review the procedures in place to ensure that all new executive appointees are adequately qualified and experienced and that proper recruitment procedures are followed;
- Review transactions between the Company and any of the Directors or relevant executive managers;
- Review employee remuneration and benefits policies and practices generally; and
- Review Board performance, tenure and succession planning.

CORPORATE GOVERNANCE STATEMENT

BOARD AND BOARD COMMITTEE MEETINGS

Scheduled meetings of the Board are held at least every two months and the Board meets on other occasions to deal with matters requiring attention. Meetings of Committees are scheduled regularly during the year.

The Chairman, in consultation with the Chief Executive Officer, determines meeting agendas. Meetings provide regular opportunities for the Board to assess the Company's management of financial, strategic and major risk areas. To help ensure that all Directors are able to contribute meaningfully, papers are provided to Directors one week in advance of the meeting. Broad ranging discussion on all agenda items is encouraged, with healthy debate seen as vital to the Board's decision making process.

DISCLOSURES BY DIRECTORS

Prior to appointment a Director designate is required to provide information to the Board for it to assess their independence in terms of the criteria set out above for assessing independence. This information is assessed by the Board to determine whether on balance the relationship could, or could reasonably be perceived to, materially interfere with the exercise of the Director's responsibilities. Materiality is assessed on a case-by-case basis.

The Board is cognisant of the need to avoid conflicts of interest and it has in place policies and procedures for the reporting of any matter which may give rise to a conflict between the interests of a Director and those of the Company. These arrangements are designed to ensure that the independence and integrity of the Board are maintained.

PURCHASE/SALE OF SHARES BY DIRECTORS

The Board encourages Non-executive Directors to own shares in the Company to further link their interests with those of all shareholders. Nonexecutive Directors are not eligible to participate in any employee share ownership scheme.

Directors are subject to Securities Act restrictions on buying, selling or subscribing for securities in the Company if they are in possession of inside information, i.e. information which is not generally available and which, if the information were generally available, a reasonable person would expect to have a material effect on the price or value of the securities of the Company. Directors should discuss proposed share trades with the Chairman of the Board in advance. Further, Directors may only trade in the securities of the Company, subject to the foregoing insider trading restrictions, during each of the periods of 8 weeks (40 working days) following the announcements of half yearly and yearly results, or the date of issue of a prospectus. In addition, Directors must not trade in any other entity if inside information on such entity comes to the attention of the Director by virtue of holding office as a Director of the Company.

PURCHASE AND SALE OF SHARES BY MANAGEMENT

Management of the Company is subject to the Securities Act restrictions on buying, selling or subscribing for securities in the Company if they are in possession of inside information, i.e. information which is not generally available and which, if the information were generally available, a reasonable person would expect to have a material effect on the price or value of the securities of the Company. Further, management may only trade in the securities of the Company, subject to the foregoing insider trading restrictions, during each of the periods of 8 weeks (40 working days) following the announcements of half yearly and yearly results, or the date of issue of a prospectus. Management should discuss proposed share trades with the Chief Executive Officer in advance, who in turn will keep the Chairman of the Board apprised of management activities.

In addition, management must not trade in any other entity if inside information on such entity comes to the attention of management by virtue of holding office as an officer of the Company. In the context of this policy, management is defined as the persons occupying the following positions:

- Chief Executive Officer
- Chief Financial Officer
- Chief Commercial Officer
- Chief Operating Officer
- General Counsel & Company Secretary
- Manager Flight Operations
- Manager MRO
- General Manager Continuing Airworthiness
- Manager Charter Operations
- General Manager Information Technology
- Manager Facilities & Ground Services
- Manager People & Resources
- General Manager Safety & Corporate Strategy
- Finance & Planning staff involved with preparation of financial records

CORPORATE GOVERNANCE STATEMENT

INDEPENDENT ADVICE TO DIRECTORS

The Board recognises that in certain circumstances individual Directors may need to seek independent professional advice, at the expense of the Company on matters arising in the course of their duties. Any advice so received is made available to other Directors. Any Director seeking such advice is required to give prior notice to the Chairman of his or her intention to seek independent professional advice.

DIRECTORS' FEES

The maximum aggregate amount of fees that can be paid to non-executive Directors is determined by shareholders at annual general meetings of the Company in accordance with the Constitution. Fees are intended to remunerate non-executive Directors for time spent on Board and Committee matters, including review and preparation time, meeting attendance, visits to Company operations and travel.

The Chairman may be required to spend additional time attending to the Chairman's special responsibilities

Annual fees are paid to the following, with the actual fees paid each year being disclosed in the Annual Report:

- Board Chairman;
- Non-executive Directors; and
- Board Committee Chairmen and Board Committee members.

EXTERNAL AUDITOR

The Audit Risk and Compliance Committee is responsible for making recommendations to the Board on appointment and terms of engagement of the Company's external auditor.

The selection is made from appropriately qualified firms and the recommended appointee is submitted to shareholders for ratification. In line with the policy of the Company, if it is proposed that the external auditor be appointed or confirmed for periods in excess of three years, the signing partner in the external audit firm must be rotated at least every three years. The Committee reviews annually the performance of the external auditors and makes recommendations to the Board regarding the continuation or otherwise of their appointment while ensuring their independence is in line with Board policy.

There is a review of the external auditor's proposed audit scope and approach to ensure there are no unjustified restrictions. Meetings are held separately with the external auditor to discuss any matters that the Committee or the external auditor believes should be discussed privately. The external auditor attends meetings of the Audit Risk and Compliance Committee at which the external audit and half yearly review are agenda items. The Committee ensures that significant findings and recommendations made by the external auditor are received and discussed promptly and that management responds to recommendations by the external auditor in a timely manner. The external auditor is invited to the Annual General Meeting of the shareholders and is available to answer any relevant questions from shareholders.

INTERNAL AUDITOR

The Audit Risk and Compliance Committee approves, on the recommendation of management, the appointment of the internal auditors.

Reviews are undertaken of the scope of the work of the internal audit function to ensure no unjustified restrictions or limitations have been placed upon the internal auditors. The Audit Risk and Compliance Committee also reviews the qualifications of internal audit personnel and endorses their appointment, replacement, reassignment or dismissal

The Audit Risk and Compliance Committee may meet separately with the internal auditors to discuss and matters that the Committee or the internal auditors believe should be discussed privately. The internal auditors have direct access to the Audit Risk and Compliance Committee and to the Board. The Committee ensures that significant findings and recommendations made by the internal auditors are received and discussed promptly, and that management responds to recommendations made by the internal auditors on a timely basis. The internal auditors meet with the external auditors half yearly to review the scope and findings of internal audit's annual audit plan and the extent of the external audit plan having regard to internal audit's findings.

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE

The Audit Risk and Compliance Committee reviews the effectiveness for monitoring compliance with all legal requirements, accounting standards, regulatory obligations both economic and corporate, air safety and services regulations and listing rules, and with ensuring effective systems for internal financial control and for reporting non- financial operating data. It also reviews the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.

The Committee obtains regular updates from management and the Company's legal officers regarding compliance matters and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements.

Reviews of the findings of any examination by regulatory agencies are undertaken and the Chairman of the Audit Risk and Compliance Committee has the right to approach a regulatory agency directly in the event of an issue arising.

DIRECTORS' REPORT

The directors of PNG Air Limited ("the Company") submit herewith the annual consolidated financial statements of the company and its subsidiaries ("the Group") for the financial year ended 31 December 2025. In order to comply with the provisions of the Companies Act 1997 (amended 2022), the directors report as follows:

The Directors

The names and particulars of the directors during or since the end of the financial year are:

Mr. Augustine Mano
Mr. Simon Woolcott
Mr. Edward Matane
Mr. Watt Kiddie

Ms. Valentina Kaman

Company Secretary

The company secretary as at 31 December 2025 was Deborah Poya.

Review of operations and changes in state of affairs

The Group's principal activities are the operation of a charter and scheduled passenger airline throughout Papua New Guinea. For the year ended 31 December 2025, the Group reported a pre-tax loss of K12.2 million (2024: pre-tax loss of K26.2 million).

The Company is listed on Papua New Guinea's National Stock Exchange ("PNGX"). PNGX suspended the securities of PNG Air Limited from official quotation on 15 January 2019 following the Company's failure to lodge its periodic reports on a timely manner. The securities remain suspended at the date of approval of these consolidated financial statements.

The Company also owned 100% interest in its subsidiary companies as follows: Galatoire Investments which is involved in investment property, PNG Ground Services which is involved in the supply of aircraft fuel and APNG Services Pty Ltd which supplies international aircrew. During the financial year, there was no significant change in the principal activities or state of affairs of the Company other than that referred to in the consolidated financial statements or notes thereto.

Change in accounting policies

Other than the adoption of new accounting standards as disclosed in Note 2, there has been no other changes in accounting policies during the current year.

DIRECTORS' REPORT

Disclosure of interest and other directorship

The disclosure on Directors interest and other directorships are provided below.

Name of Director	Organisation	Role
Augustine Mano	PNG Air Ltd	Director & Chairman
	Mineral Resources Development Company Ltd	Managing Director
	Mineral Resources Star Mountains	Director
	Mineral Resource Ok Tedi (No.2)	Director
	Ramu Ltd	Director
	Mineral Resource Madang	Director
	Petroleum Resources Kutubu Ltd	Director
	Petroleum Resource Moran Ltd	Director
	Gas Resources Hides 4 Ltd	Director
	Gas Resources Gigira Ltd	Director
	Gas Resources Juha Ltd	Director
	Gas Resources Angore Ltd	Director
	Gas Resources PNGLND Plant Ltd	Director
	Ok Tedi Mining Limited	Director
	GFS Limited	Director
	Petroleum Resource Gobe	Director
	Gas Resources Gobe Ltd	Director
	Star Mountain Plaza	Chairman
	South Pacific Pearl Resort, Fiji	Chairman
	Taumeasina Island Resort, Samoa	Chairman
	INSPAC Limited	Chairman
	CIVPAC Limited	Chairman
	Handy Group Limited	Chairman
	SMA Investments	Chairman
	Gulf Provincial Authority	Chairman
	PNG Ground Services (subsidiary of PNG Air)	Director
	Galatoire Limited (subsidiary of PNG Air)	Director
	Southern Highlands Provincial Health Authority	Chairman
Watt Kiddie	PNG Air Ltd	Director, Deputy Chairman & Chairman of Audit Committee
	First National Insurance Brokers Ltd	Director
	Wooner Trading Limited	Director
	Diamond Finance Limited	Director
	Business Arm of the Lutheran Renewal Church of PNG	Director/Chairman
	WK Kiddie PNG Peace & Gutpela Sindaun Foundation Inc.	Principal Custodian and Founder
	Lutheran Renewal Investments Group Limited	Chairman
	Hanrick Curran Kiddie Limited	Director
	Statutory Committee of Board	Chairman
	PNG Air BARCC Committee	Chairman
	Asian Pacific Insurance Broker Limited	Director

DIRECTORS' REPORT

Directors' report (continued)

Disclosure of interest and other directorship (continued)

Name of Director	Organisation	Role
Edward Matane	PNG Air Ltd	Director
	Matsi Holdings Ltd	Director
	Pacific Helicopters Ltd	CEO
	Galatoire Limited (subsidiary of PNG Air)	Director
	PNG Ground Services Limited (subsidiary of PNG Air)	Director
Simon Woolcott	PNG Air Ltd	Director
	TISA	Director and Audit Committee Member
	TISA Bank	Director & Chairman of Audit Committee
	TISA Insurance Group	Director & Chairman of Audit Committee
	BKS Services	Managing Director
	Mineral Resource Development Company Limited	Chief Finance Officer
Valentina Kaman	PNG Air Limited	Director
	PNG Air RNC Committee	Chairperson
	Mineral Resource Development Company Limited	Chief Risk officer
	Mineral Resources Star Mountain Limited	Company Secretary
	Mineral Resources CMCA Holdings Limited	Company Secretary
	Mineral Resources OK Tedi Limited	Company Secretary
	Business Professional Women's Club	Fundraising Officer
	Piku Conservation Network	Director
	Malma Holdings Limited	Shareholder & Director
	The Voice Inc	Vice Chairlady
	Capital Life Insurance	Director
	Zulu Wan	Shareholder & Director
	Digicel PNG Inc.	Director
Gheno Minia	PNG Air Limited	Director
	Weathermen Capital Advisors Limited	General Manager – Operations & Head of Trustee Services
	Marylynn Investments Limited	Shareholder & Director
	Verelemo Limited	Shareholder & Director
	Verelemo Foundation Inc.	Director
	PBF Properties Limited	Director
	D&B Holdings Limited T/A Pasifika Properties	Director

None of directors has a direct ownership interest in the Company as at 31 December 2025 (2024: no direct ownership interest).

DIRECTORS' REPORT

Directors' report (continued)

Directors' remuneration

The following table shows the level of remuneration received by Directors in the respective financial years:

Director	2025	2024
	K	K
Augustine Mano	50,000	50,000
Edward Matane	50,000	50,000
Watt Kiddie	50,000	50,000
Valentine Kaman	50,000	25,000
Simon Woolcott	50,000	29,807
Gheno Minia (appointed on 16 February 2026)	-	-

Remuneration above K100,000 per annum

Remuneration K'000	2025 Nos.	2024 Nos.	Remuneration K'000	2025 Nos.	2024 Nos.
100 – 110	2	1	370 – 380	140	1
110 – 120	2	2	380 – 390	5	-
120 – 130	-	4	390 – 400	-	1
130 – 140	1	1	400 – 410	1	-
140 – 150	6	1	410 – 420	1	3
150 – 160	1	10	420 – 430	2	1
160 – 170	2	4	430 – 440	6	1
170 – 180	3	-	440 – 450	1	1
180 – 190	2	2	450 – 460	3	1
190 – 200	5	16	460 – 470	1	2
200 – 210	1	9	470 – 480	3	-
210 – 220	2	-	480 – 490	1	-
220 – 230	21	1	490 – 500	4	2
230 – 240	8	4	500 – 510	2	-
240 – 250	10	2	510 – 520	-	2
250 – 260	3	29	520 – 530	1	-
260 – 270	1	-	530 – 540	2	-
270 – 280	-	1	540 – 550	-	1
280 – 290	2	4	560 – 570	2	-
290 – 300	13	2	590 – 600	2	-
300 – 310	-	6	640 – 650	-	1
320 – 330	4	11	650 – 660	1	-
330 – 340	-	10	740 – 750	1	-
340 – 350	2	2	1,030-1,040	1	-
350 – 360	30	-	1,100-1,700	-	2
360 – 370	-	3	1,850-1,860	1	-

Corresponding last year's figure has been adjusted at 2025 average exchange rate between PGK and AUD for comparison to eliminate impact from conversion of AUD denominated remuneration at two different exchange rates on respective reporting dates.

Dividends

There were no dividends declared during the year by the Group (2024: Nil).

DIRECTORS' REPORT

Directors' report (continued)

Donations

There were no donations made during the year by the Group (2024: Nil).

Independent auditor's report

The financial statements have been audited by Deloitte Touche Tohmatsu and should be read in conjunction with the independent auditor's report on pages 69-72. Audit fees and non-audit fees are disclosed at Note 27.

Registered office and principal place of business

Part Portion 97

Milinch Granville

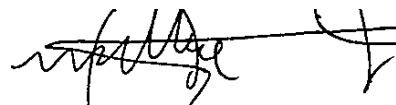
Jackson's International Airport Seven Mile NCD

Papua New Guinea

Signed in accordance with a resolution of and on behalf of the directors.



Augustine Mano
Director
Port Moresby, 31 March 2026



Watt Kiddie
Director
Port Moresby, 31 March 2026

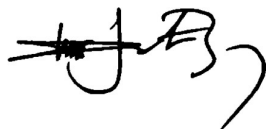
DIRECTORS' STATEMENT

Directors' Statement

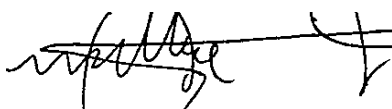
In the opinion of the Directors of PNG Air Limited:

- the financial statements of the Group as set out on page 22 to 68 are drawn up so as to give a true and fair view of the state of the Group's affairs as at 31 December 2025, and of its results, cash flow and changes in equity for the financial year ended on that date; and
- there are, when this statement is made out, reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors.



Augustine Mano
Director
Port Moresby, 31 March 2026



Watt Kiddie
Director
Port Moresby, 31 March 2026

FINANCIAL STATEMENTS

Consolidated statement of profit or loss for the year ended 31 December 2025

	Notes	Consolidated		Company	
		2025	2024	2025	2024
		K'000	K'000	K'000	K'000
Revenue	5.1	326,513	253,933	324,385	250,805
Cost of sales	5.3	(163,248)	(134,667)	(162,600)	(133,758)
Gross profit		163,265	119,266	161,785	117,047
Other income, net	5.2	727	21,725	727	21,725
Operational expenses	5.4	(100,655)	(101,393)	(100,124)	(100,562)
Occupancy expenses	5.6	(5,453)	(3,864)	(5,079)	(3,855)
Administration expenses	5.5	(27,846)	(20,860)	(27,413)	(20,715)
Finance costs	7	(42,256)	(41,085)	(42,109)	(40,976)
(Loss) before tax		(12,218)	(26,211)	(12,213)	(27,336)
Income tax benefit	8.1	2,239	5,959	2,274	6,516
(LOSS) FOR THE YEAR		(9,979)	(20,252)	(9,939)	(20,820)
(Loss) Per Share					
Basic and diluted (loss) per share (toea)	18	(0.10)	(0.50)	(0.10)	(0.51)

The attached notes from pages 27 to 68 form part of these consolidated financial statements

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income for the year ended 31 December 2025

	Notes	Consolidated		Company	
		2025	2024	2025	2024
		K'000	K'000	K'000	K'000
(LOSS) FOR THE YEAR		(9,979)	(20,252)	(9,939)	(20,820)
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
(Loss)/gain on revaluation of non-current assets, net of tax	19	(1,358)	433	(1,358)	433
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on translation of foreign operation	20	9	2	-	-
Other comprehensive (loss)/income for the year net of tax		(1,349)	435	(1,358)	433
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR		(11,328)	(19,817)	(11,297)	(20,387)

The attached notes from pages 27 to 68 form part of these consolidated financial statements

FINANCIAL STATEMENTS

Consolidated statement of financial position at 31 December 2025

	Notes	Consolidated		Company	
		2025	2024	2025	2024
		K'000	K'000	K'000	K'000
Assets					
<i>Non-current assets</i>					
Property, plant and equipment	11	42,289	79,852	39,260	77,446
Right of use assets	23.1	237,263	152,941	235,188	151,841
Other financial assets	12	82,295	49,407	82,315	49,427
Deferred tax assets, net	8.2	9,538	6,625	9,762	6,905
Other assets	13	121,550	9,094	121,550	9,094
Total non-current assets		492,935	297,919	488,075	294,713
<i>Current assets</i>					
Inventories	15	7,201	4,365	6,841	3,747
Trade and other receivables	16	40,791	26,800	39,837	26,578
Cash and bank balances	10	33,847	5,151	33,329	4,032
Other financial assets	12	26,914	14,600	37,341	17,966
Other assets	13	9,534	6,137	9,514	6,119
Assets held for sale	14	29,058	-	29,058	-
Total current assets		147,345	57,052	155,920	58,441
Total assets		640,280	354,971	643,995	353,154
<i>Non-current liabilities</i>					
Provisions	24	27,932	17,342	27,908	17,321
Lease liabilities	23.2	315,694	231,182	314,184	230,319
Borrowings	21	1,757	3,305	1,757	3,305
Other liabilities	22	45,838	45,659	45,838	45,659
Total non-current liabilities		391,221	297,488	389,687	296,604
<i>Current liabilities</i>					
Provisions	24	2,578	1,902	2,539	1,870
Lease liabilities	23.2	36,744	29,351	35,984	28,936
Borrowings	21	8,024	3,032	8,024	3,032
Trade and other payables	25.1	53,494	36,900	60,851	37,754
Revenue received in advance	25.2	16,170	13,611	16,170	13,611
Other liabilities	22	144,946	3,318	144,946	3,318
Total current liabilities		261,956	88,114	268,514	88,521
Total liabilities		653,177	385,602	658,201	385,125
Net liabilities		(12,897)	(30,631)	(14,206)	(31,971)
Equity					
Issued capital	17.1	220,085	155,496	220,085	155,496
Other contributed equity	17.2	10,607	46,134	10,607	46,134
Revaluation reserve	19	-	1,358	-	1,358
Accumulated losses	20	(243,589)	(233,619)	(244,898)	(234,959)
Total equity		(12,897)	(30,631)	(14,206)	(31,971)

The attached notes from pages 27 to 68 form part of these consolidated financial statements

FINANCIAL STATEMENTS

Consolidated statement of changes in equity for the year ended 31 December 2025

Consolidated	Issued capital K'000	Other contributed equity K'000	Revaluation reserve K'000	Accumulated losses K'000	Total K'000
At 1 January 2024	155,496	21,134	925	(213,369)	(35,814)
Capital contributions received (Note 17.2)	-	25,000	-	-	25,000
Loss for the year	-	-	-	(20,252)	(20,252)
Other comprehensive income	-	-	433	2	435
Total comprehensive income	-	-	433	(20,250)	(19,817)
At 31 December 2024	155,496	46,134	1,358	(233,619)	(30,631)
Issuance of ordinary shares (Note 17.1)	29,062	-	-	-	29,062
Conversion of other contributed equity to issued capital (Note 17.2)	35,527	(35,527)	-	-	-
Loss for the year	-	-	-	(9,979)	(9,979)
Other comprehensive income	-	-	(1,358)	9	(1,349)
Total comprehensive loss	-	-	-	(9,970)	(11,328)
At 31 December 2025	220,085	10,607	-	(243,589)	(12,897)

Company	Issued capital K'000	Other contributed equity K'000	Revaluation reserve K'000	Accumulated losses K'000	Total K'000
At 1 January 2024	155,496	21,134	925	(214,139)	(36,584)
Capital contributions received (Note 17.2)	-	25,000	-	-	25,000
Loss for the year	-	-	-	(20,820)	(20,820)
Other comprehensive income	-	-	433	-	433
Total comprehensive income	-	-	433	(20,820)	(20,387)
At 31 December 2024	155,496	46,134	1,358	(234,959)	(31,971)
Issuance of ordinary shares (Note 17.1)	29,062	-	-	-	29,062
Conversion of other contributed equity to issued capital (Note 17.2)	35,527	(35,527)	-	-	-
Loss for the year	-	-	-	(9,939)	(9,939)
Other comprehensive income	-	-	(1,358)	-	(1,358)
Total comprehensive loss	-	-	-	(9,939)	(11,297)
At 31 December 2025	220,085	10,607	-	(244,898)	(14,206)

The attached notes from pages 27 to 68 form part of these consolidated financial statements

FINANCIAL STATEMENTS

Consolidated statement of cash flows for the year ended 31 December 2025

	Consolidated		Company	
Notes	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Cash flows from operating activities				
Receipts from customers	333,703	265,673	331,574	268,404
Payments to suppliers and employees	(251,973)	(191,577)	(243,623)	(195,195)
Cash generated from operations	81,730	74,096	87,951	73,209
Income tax paid	(431)	(264)	-	-
Interest paid	(42,256)	(40,608)	(42,109)	(40,976)
Net cash generated from operating activities	39,043	33,224	45,842	32,233
Cash flows from investing activities				
Pre-delivery payments and commitment fees for aircraft	(128,736)	-	(128,736)	-
Payments for purchase of property, plant and equipment	(26,799)	(19,377)	(26,064)	(19,094)
Proceeds from disposal of property, plant and equipment	-	658	-	658
Net cash used in investing activities	(155,535)	(18,719)	(154,800)	(18,436)
Cash flows from financing activities				
Repayments of borrowings				
- Financial institutions	(2,029)	(2,683)	(2,029)	(2,683)
- Other	(4,912)	(1,791)	(4,912)	(1,791)
Net proceeds from / (payments to) related parties	144,847	-	137,511	(81)
Proceeds from capital contributions received	29,061	25,000	29,061	25,000
Principal payment of lease liabilities	(27,546)	(27,483)	(27,142)	(27,280)
Net cash generated from/ (used in) financing activities	139,421	(6,957)	132,488	(6,835)
Net change in cash and cash equivalents	22,929	7,548	23,530	6,962
Cash and cash equivalents at the beginning of the year	4,386	(3,162)	3,267	(3,695)
Cash and cash equivalents at the end of the year	10 27,315	4,386	26,797	3,267

The attached notes from pages 27 to 68 form part of these consolidated financial statements

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

1. General information

PNG Air Limited (the 'Parent' or 'Company') is incorporated in Papua New Guinea (PNG). The addresses of its registered office and principal place of business are disclosed in the Directors' report. The principal activities of the Company and its subsidiaries (the 'Group') are categorized in Notes 6 and 9.

2. Adoption of new and revised IFRS Accounting Standards

2.1 New and amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amended IFRS Accounting Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2025.

- Amendments to IAS 21 Lack of Exchangeability

The adoption of this amended IFRS Accounting Standards and Interpretations has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2.2 New, amendments, and revised accounting standards in issue but not yet effective for the year ended 31 December 2025 and not early adopted

At the date of authorisation of these financial statements, the Group and the Company have not applied the following revised IFRS Accounting Standards that have been issued but are not yet effective:

Standards	Description	Effective for annual reporting periods beginning on or after
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

The directors do not expect that the adoption of the standards and amendments to standards listed above will have a material impact on the financial statements of the Group and the Company in future periods, except for IFRS 18. The directors are currently evaluating the expected impact of IFRS 18 on the financial statements of the Group and the Company.

3. Material accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Papua New Guinea Companies Act (Amended 2022).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain property plant and equipment that are measured at revalued amounts at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

All amounts are presented in Papua New Guinea Kina ("Kina"), unless otherwise stated.

The financial statements have been rounded to the nearest thousand Kina (K'000) unless otherwise stated.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.2 Basis of preparation (continued)

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, therefore ensuring that the substance of the underlying transactions or other events is reported. The accounting policies adopted are consistent with those of the previous year unless otherwise specified.

Going concern

The consolidated financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Financial metrics

For the year ended 31 December 2025, the Group and the Company reported a net loss of K9.9 million and K9.9 million, respectively (2024: net loss of K20.3 million and K20.8 million) and generated net cash inflows from operating activities of K39.0 million and K45.8 million (2024: net cash inflows of K33.2 million and K32.2 million).

As at 31 December 2025, the Group and the Company had cash and bank balances of K27.3 million and K26.8 million, respectively (31 December 2024: K4.4 million and K3.3 million), net current liabilities of K114.6 million and K112.6 million (31 December 2024: K31.1 million and K30.1 million) and net liabilities of K12.9 million and K14.2 million (31 December 2024: K30.6 million and K32.0 million). Included in current liabilities are payables to subsidiaries of MRDC being Petroleum Resource Kutubu Ltd, Petroleum Resources Gobe Ltd, Gas Resources PNG LNG Pipeline Limited and Bugulim Air Service Limited of K144.8 million which management anticipates will be reflected in the resultant lease liabilities upon execution of the related aircraft lease agreements. It is anticipated that the related cash outflows in the period to 31 December 2026 will be limited to the agreed monthly lease payments. refer Note 29.1 for details.

The Directors and management have taken the following steps to improve the Group's liquidity position and ensure the Group has sufficient funding to meet its operating and capital expenditures as they fall due:

Strategic Plan and Operational Initiatives

On 10 December 2024, the Directors endorsed a three-year Strategic plan for 2025 to 2027 aimed at strengthening the Group's operational capability, improving profitability, and supporting long-term growth. Since implementation of this strategy, the Group has achieved several key milestones, including:

- Renegotiation of certain aircraft lease terms to provide short-term cash flow relief
- Delivery of three (3) leased aircraft during 2025
- Sourcing of seven (7) aircraft at competitive lease rates to replace the ageing Dash-8 fleet and expand operational capacity
- Completion of a capital raising programme to strengthen the Group's capital base
- Securing extensions of existing banking facilities with Bank South Pacific (BSP)

In December 2025, the Board approved an updated rolling strategic plan extending to 2028, incorporating updated operational assumptions and financial forecasts. The strategic initiatives include:

- Retirement and disposal of the Dash 8 fleet by early 2026 with proceeds reinvested to support operational turnaround initiatives.
- Expansion of passenger operations to increase market share within Papua New Guinea
- Continued pursuit of long-term charter contracts with corporate clients in the resources sector
- Growth of the Group's customer base to support revenue diversification
- Ongoing organisational restructuring to eliminate duplication, improve productivity and reduce operating costs

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.2 Basis of preparation (continued)

As of the date of signing these consolidated financial statements, the Group is:

- Progressing the fleet renewal programme. Four ATR aircraft commenced operations between October 2025 and February 2026, with six additional aircraft scheduled for delivery between April and September 2026.
- Implementing the planned rationalisation of the Dash-8 fleet, with an active disposal programme underway for the aircraft and associated spare parts. The Group has received expressions of interest from potential buyers for certain assets, while negotiations are ongoing with other parties in respect of the remaining aircraft and components.
- Scheme settlements: Of the ten counterparties included in the creditor restructuring programme approved by the National Court in December 2023, five have been fully settled. The remaining counterparties are being settled in accordance with the terms of the approved scheme, which the Group continues to honour.

Letter of Support

The Company's directors have obtained a letter of financial support from the Company's largest shareholder, MRDC, which confirms that it will provide sufficient financial assistance as needed to enable the Company and the Group to continue as a going concern and to satisfy their debts and commitments as they become due and payable for a period of at least 12 months from the date of signing these consolidated financial statements.

MRDC has also confirmed that:

- It has no plans or intentions to liquidate the Company or the Group or to cease its trading within the next 12 months from the date of signing of the consolidated financial statements;
- It has no plans that may materially affect the carrying value or classification of the Group's assets and liabilities; and
- It is financially sustainable and will not demand payment of any amounts due to it or any of its controlled entities until such time as the Company and the Group have sufficient cash to settle such amounts due to it or to any of its controlled entities.

MRDC has provided guarantees in favour of both DAE, as aircraft lessor, and BSP, as financier, in respect of the Group's lease and financing obligations. The Group has formalised its banking facilities with BSP, which remain available for working capital support.

Furthermore, MRDC and its subsidiaries have committed to facilitate the acquisition and on-lease of six new aircraft to the Group as part of the fleet renewal programme.

As a result of the above actions taken by Directors and management, the Group's forecast cash flows indicate that the Group will have a surplus of liquidity throughout the twelve-month period from the date of signing these consolidated financial statements. The achievement of the Group's forecast is primarily dependent, amongst other matters, upon:

- the successful implementation of the strategic plan, including disposal of existing Dash 8 fleet in the first half 2026, and timely delivery and integration of new aircraft;
- continued implementation of the Group's cost reduction initiatives; and
- the continued support of the Group's major shareholder, MRDC, financial lenders and scheme creditors.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.2 Basis of preparation (continued)

The Directors have also considered the potential impacts of escalated geopolitical tensions in the Middle East (refer to Note 31), which have contributed to increased fuel price volatility. The Group has assessed downside scenarios incorporating sustained increases in fuel costs and, based on these assessments the Group will continue to have a surplus of liquidity throughout the twelve-month period from the date of signing these consolidated financial statements.

Notwithstanding that the respective outcomes of the matters referred to above are not entirely within the control of the Group, the Directors are confident, based on achievement of previous milestones, that the Group can achieve successful outcomes. Accordingly, the Directors have determined that it is appropriate for the Company and the Group to continue to adopt the going concern basis in preparing these consolidated financial statements.

Should the Group not be able to achieve successful outcomes in respect of the above matters, a material uncertainty would exist which may cast significant doubt regarding the Company and the Group's ability to continue as going concerns and therefore whether they will be able to realise their assets and discharge their liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company and the Group be unable to continue as going concerns.

Fair value

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Company (the "Group"). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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Notes to the consolidated financial statements For the year ended 31 December 2025

3.3 Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.4.1 Revenue from carriage of passenger and freight

Revenue from carriage of passengers and freight is recognised at the time the passenger or cargo is uplifted for carriage, includes concession revenue and is after deducting returns, commissions and taxes.

Air tickets that remain unutilised after a twelve-month period are released to revenue. The estimate is based on historical statistics and data that takes into account the terms and conditions for various ticket types.

3.4.2 Revenue from charters

Revenue from charters is recognised at the time the passenger or cargo is uplifted for carriage and includes other handling and fuel re-charges.

3.4.3 Revenue from sale of fuel

Revenue from fuel sale is recognised when fuel is supplied to aircraft operators, which are final customers of the Group.

Interest income

3.4.4 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.5 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and a corresponding lease liability is recognised with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.5.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

Aircraft	5 - 8 years
Office leases	2 - 20 years
Staff accommodation	2 - 5 years
Other plant & equipment	2 years

The right-of-use assets are also subject to impairment. Refer to the accounting policy in Note 3.9.3.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.5 Leases (continued)

3.5.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.5.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.5.4 Lease provisions

With regards to leased aircraft, where the Group has an obligation to return the aircraft with adherence to certain redelivery conditions, provision is made during the lease term. The provision is based on the expected future costs of meeting the redelivery conditions.

3.6 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Papua New Guinea Kina ('K'), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Papua New Guinea Kina using exchange rates prevailing at the end of each reporting period.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.7 Retirement benefit costs

Contributions to define contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.8.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.8.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.8.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in consolidated statement of profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside statement of profit or loss.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.8 Taxation (continued)

3.8.4 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Internal Revenue Commission, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Internal Revenue Commission is included as part of receivables or payables.

3.9 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Rotable parts held for use in the supply of goods or services are stated at the revalued amounts, being the fair value at the date of revaluation, less any accumulated impairment losses. Revaluations for rotables are performed with sufficient regularity (i.e. annually) such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of owned aircraft and rotatable parts are recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to statement of comprehensive income to the extent of the decrease previously expensed.

Freehold land is not depreciated.

Other plant and equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method except for aircraft and aircraft components which are depreciated based on usage. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Effective annual depreciation rates resulting from those methods are:

Aircraft:

Dash 8 Aircraft is depreciated based on flying hours over remaining life of the aircraft.

Other assets:

Buildings	3.00% straight line
Plant and equipment	11.25% straight line
Motor vehicles	30.00% straight line

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

3.9.1 The cost associated with the overhaul of aircraft engines and major components

The cost associated with the overhaul of aircraft engines and major components for owned aircraft assets is amortised over the lifetime of those specific overhaul costs. When aircraft are revalued these costs are taken into account to arrive at the revaluation increase or decrease, hence the costs will be adjusted accordingly to reflect the fair value of the total aircraft asset upon revaluation.

3.9.2 The cost of subsequent major cyclical maintenance checks

The cost of subsequent major cyclical maintenance checks for owned aircraft are capitalised and depreciated over the scheduled usage period to the next major inspection or the remaining life of the aircraft. The costs incurred for scheduled major maintenance of the aircraft's fuselage and engines are capitalised and depreciated until the next maintenance. The depreciation rate is determined on technical grounds, according to its use expressed in terms of cycles and flight hours.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.9 Property, plant and equipment (continued)

3.9.3 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The impairment loss recognised during the year was taken to revaluation reserve.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include the cost of direct materials and cost of transportation and duties are expensed as and when incurred. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

With regards to leased aircraft, where the Group has an obligation to return the aircraft with adherence to certain redelivery conditions, provision is made during the lease term. The provision is based on the expected future costs of meeting the redelivery conditions.

3.12 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.12 Financial instruments (continued)

3.12.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are measured at amortised cost using the effective interest method, less any impairment. Such assets included trade and other receivables, bank balances and cash, and maintenance reserves deposits.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents

For statement of cash flows purposes, cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes

the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) credit rating
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse condition that results in a significant decrease in the debtor's ability to meet its debt obligations.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.12 Financial instruments (continued)

3.12.1 Financial assets (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default,
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.12 Financial instruments (continued)

3.12.1 Financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.12.2 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other income' line item in profit or loss (Note 5.2) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.13 Maintenance reserve deposits

Maintenance reserve deposits are payments made to certain lessors in terms of the aircraft lease contracts. The lessors are contractually obligated to reimburse the Group and Company for the qualifying maintenance expenditure incurred on aircraft if the Group and Company has a maintenance reserves credit. Maintenance reserve deposits are recognised as an asset. The recoverability of the asset is assessed annually against the entity's ability to claim against future maintenance events. Where it is deemed that the entity will be unable to claim for a future maintenance event, the maintenance reserve payments are expensed accordingly.

Reimbursement amounts are only recognised as assets in respect of maintenance costs to be reimbursed if the work has been performed and it is probable that the amounts claimed are recoverable in terms of the aircraft lease contract and based on the available balance in the maintenance reserve account.

The reimbursement amounts claimed from lessors in respect of qualifying maintenance are transferred to receivables until actually received.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

3.14 Pre-delivery payments

Pre-delivery payments are capitalised and represent deposits made with aircraft manufacturers for future delivery of aircraft. Upon delivery of aircraft, these are transferred to leased or owned aircraft and subsequently depreciated.

3.15 Security deposits

Security deposits are deposits made with aircraft financiers or operating lessors to provide security for future maintenance work or lease payments. These security deposits for leased aircraft are recorded at their present value when payment terms extend beyond one year discounted using the incremental borrowing rate at the inception of the lease and amortised over the lease term.

3.16 Subsidies and grants from Government

Subsidies and grants from Government are recognised where there is reasonable assurance that the Group will comply with the conditions attached to the subsidy and/or grant and that the subsidy and/or grant will be received. Government subsidies and grants related to income are presented in the statement of profit or loss on a systematic basis over the periods in which the related costs are incurred, so as to match them with the expenses they are intended to compensate. Subsidies and grants received in advance of the related expenditure are deferred and recognised as a liability until the expenditure is incurred.

3.17 Revaluation reserve

The revaluation reserve primarily arises on the revaluation of aircraft rotables. Any revaluation increase arising on the revaluation of owned aircraft rotatable parts are recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to statement of comprehensive income to the extent of the decrease previously expensed. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of owned aircraft and rotatable parts and net carrying amount is adjusted to reflect the fair values at the date of the revaluation.

3.18 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets ceases at the date of classification.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3.19 Comparative information

Presentation of certain comparative amounts have been changed to align with current year's presentation.

4. Critical judgements in applying accounting estimates

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

4. Critical judgements in applying accounting estimates (continued)

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see Note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Provision for Leased Aircrafts

For aircraft held under lease agreements, the Group is contractually committed to return the leased aircraft in a certain condition which includes completion of certain maintenance in the form of major airframe overhaul, engine maintenance checks, and restitution of major life-limited parts. The provision for lease return costs for these leased aircraft is determined based on the best estimate of the costs that will be incurred to fulfil the stipulated lease return conditions.

At the inception of the lease, management estimates the cost of returning the aircraft to the condition required by lessors including the costs of painting the aircraft and replacing certain components which affect both the right-of-use asset and the related provision. In making such estimates, the Group has primarily relied on its own and industry experience, industry regulations and recommendations from manufacturers, however, these estimates can be subject to revision, depending on a number of factors, such as the timing of the planned maintenance, the ultimate utilisation of the aircraft, changes to government and international regulations and increases or decreases in estimated costs. The Group evaluates its estimates and assumptions at each reporting period and, when warranted, adjusts its assumptions.

Useful Lives, Depreciation Method and Residual Values of Property and Equipment, including Right-of-use assets

The Group assesses the useful lives, depreciation method and residual values of property and equipment at each reporting date. Depreciation method is based on management's judgment of the most appropriate method an asset's future economic benefit expected to be consumed. Among other factors, management considered industry standards, manufacturers' guidelines and company-specific history and experience. Useful lives are estimated based on internal technical evaluation and experience with similar assets.

Impairment of Property, Plant and Equipment - Aircraft

Impairment is recognised when events and circumstances indicate that the aircraft may be impaired and the carrying amounts of the aircraft exceed the recoverable amounts. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

In performing its impairment testing, the management considered assets that cannot be tested individually are grouped together into the group of assets that generates cash inflows that are independent of the cash inflows of other assets or cash-generating units. The amount of impairment losses recognised during the year has been disclosed in Note 11.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation processes

The directors of the Group and management determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, fair value is determined using Level 2 or Level 3 inputs, including market-based valuation techniques.

Where appropriate, the Group engages independent qualified valuers to assist in determining fair value. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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Notes to the consolidated financial statements For the year ended 31 December 2025

4. Critical judgements in applying accounting estimates (continued)

4.2 Key sources of estimation uncertainty (continued)

Allowance for expected credit losses

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 180 days past due because historical experience has indicated that these receivables are generally not recoverable.

Allowance for slow moving, damaged and obsolete inventories

Inventory obsolescence is recognised on the basis of inventory ageing, therefore, in general, inventory that has not been used in the last 5 years is provided for 50% of the value and inventory and inventory items that have not been used for more than 5 years is fully provided for. The Group also reviews its inventories at year period end and recognise a specific allowance as necessary.

5. Revenue and costs

An analysis of revenue and costs for the year is as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
5.1 Revenue from contracts with customers				
Revenue from carriage of passenger and freight	159,480	100,492	159,480	100,492
Revenue from charters	164,905	150,313	164,905	150,313
Revenue from sale of fuel	2,128	3,128	-	-
	326,513	253,933	324,385	250,805
5.2 Other income, net				
Interest income	247	104	247	104
Realised foreign currency gain/ (loss)	1,560	(1,754)	1,560	(1,754)
Unrealised foreign currency loss, net	(13,029)	(8,714)	(13,029)	(8,714)
Loss on plant and equipment disposal	-	(62)	-	(62)
Write-off plant and equipment	(5,564)	-	(5,564)	-
Aircraft handling income	614	1,072	614	1,072
Engineering sales	407	25	407	25
Sublease income	13,306	12,414	13,306	12,414
Gain on debt extinguishment (refer below)	292	11,030	292	11,030
Gain on release of provisions (Note 24)	-	4,019	-	4,019
Insurance recovery	-	2,597	-	2,597
Other revenue	2,894	994	2,894	994
	727	21,725	727	21,725
Gain on debt extinguishment includes:				
Scheme arrangements				
From lessors and related to:				
Lease liabilities (Note 23.2)	-	2,683	-	2,683
Trade payables	-	2,504	-	2,504
From lenders (Note 21)	292	-	292	-
	292	5,187	292	5,187
Other				
From other creditors	-	5,843	-	5,843
	292	11,030	292	11,030

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Notes to the consolidated financial statements For the year ended 31 December 2025

5. Revenue and costs (continued)

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
5.3 Cost of sales				
Direct activity costs	(7,920)	(6,276)	(7,393)	(5,708)
Short term leases	(1,900)	(1,672)	(1,252)	(845)
Fuel, air navigation and landing costs	(62,009)	(45,521)	(62,536)	(46,007)
Engineering costs	(41,587)	(26,725)	(41,587)	(26,725)
Depreciation of aircraft	(16,745)	(19,118)	(16,745)	(19,118)
Amortisation of right of use assets – aircraft	(23,812)	(24,084)	(23,812)	(24,084)
Aircraft insurance costs	(7,470)	(7,128)	(7,470)	(7,128)
Inventory write-down	-	(2,735)	-	(2,735)
Commission and agent fees	(1,805)	(1,408)	(1,805)	(1,408)
	(163,248)	(134,667)	(162,600)	(133,758)
5.4 Operational expenses				
Crew and engineering staff costs	(65,093)	(45,998)	(65,513)	(45,998)
Other operational staff costs	(14,745)	(10,927)	(14,398)	(10,635)
Amortisation of right of use assets – other	(6,270)	(3,744)	(5,848)	(3,430)
Loss on revaluation of property, plant and equipment (Note 11)	-	(35,790)	-	(35,790)
Impairment loss on assets held for sale (Note 14)	(9,712)	-	(9,712)	-
Other operational costs	(4,835)	(4,934)	(4,653)	(4,709)
	(100,655)	(101,393)	(100,124)	(100,562)
5.5 Administration expenses				
Management and other administrative staff costs	(15,304)	(13,064)	(15,304)	(13,064)
Bank charges	(1,671)	(517)	(1,671)	(517)
Depreciation of plant and equipment	(1,335)	(1,416)	(1,231)	(1,312)
Subscription and publication costs	(775)	(600)	(775)	(600)
Expected credit loss and bad debts written off	(408)	35	(198)	35
Restructure and other legal and advisor's fees	(5,794)	(2,458)	(5,794)	(2,458)
Other administration costs	(2,559)	(2,840)	(2,440)	(2,799)
	(27,846)	(20,860)	(27,413)	(20,715)
5.6 Occupancy expenses				
Electricity and other utilities	(403)	(594)	(384)	(571)
Security expenses	(2,604)	(2,088)	(2,235)	(2,197)
Insurance expenses	(452)	(423)	(452)	(423)
Short term leases	(44)	(283)	(57)	(234)
Property maintenance expenses	(1,950)	(476)	(1,951)	(430)
	(5,453)	(3,864)	(5,079)	(3,855)

6. Segment information

6.1 Operating segments

IFRS 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The group operates in one (1) operating segment being Regular Passenger Travel (RPT) and Aircraft Charters.

For detailed breakdown of revenue refer to Note 5.1.

6.2 Geographical information

The Group operates in one principal geographical area which is its country of domicile – Papua New Guinea.

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Notes to the consolidated financial statements For the year ended 31 December 2025

7. Finance costs

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Interest on bank overdraft	(476)	(573)	(476)	(573)
Interest on leases	(38,136)	(36,779)	(37,989)	(36,670)
Other interests	(3,644)	(3,733)	(3,644)	(3,733)
	(42,256)	(41,085)	(42,109)	(40,976)

8. Income taxes

8.1 Income tax recognised in consolidated statement of profit or loss

The income tax (benefit)/ expense for the year can be reconciled to the accounting loss as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Current tax expense	91	502	-	-
Deferred tax (benefit)/ expense	(2,330)	(6,461)	(2,274)	(6,516)
Total tax (benefit)/ expense	(2,239)	(5,959)	(2,274)	(6,516)

The income tax benefit for the year can be reconciled to the accounting loss as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Loss before tax	(12,218)	(26,211)	(12,213)	(27,336)
Income tax (benefit)/ expense calculated at 30%	(3,665)	(7,863)	(3,664)	(8,201)
Effect of expenses that are not deductible in determining taxable profit	31	59	-	2
Effect of non-assessable income	-	(1,753)	-	(1,753)
Effect of prior year adjustments	5	162	-	-
Effect of tax losses/ temporary differences not recognised as deferred tax assets	1,390	3,436	1,390	3,436
Income tax benefit	(2,239)	(5,959)	(2,274)	(6,516)

The tax rate used for the 2025 and 2024 reconciliations above is the corporate tax rate of 30% payable by corporate entities under tax law that have been enacted or substantively enacted by reporting date.

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Notes to the consolidated financial statements For the year ended 31 December 2025

8. Income taxes (continued)

8.2 Deferred taxes

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Expected credit loss	263	141	183	124
Leave entitlements	2,051	1,545	2,033	1,529
Return conditions	7,102	4,228	7,102	4,228
Stock obsolescence	86	3,246	86	3,246
Leases and right of use assets	34,551	32,277	34,494	32,224
Unrealised foreign exchange (gain)/ losses	(766)	(2,537)	(766)	(2,537)
Tax losses	54	31	-	-
Scheme arrangement	(18,869)	(19,332)	(18,869)	(19,332)
Inventory	(2,138)	(5,190)	(2,138)	(5,190)
Property, plant and equipment	(12,342)	(7,408)	(11,908)	(7,004)
Prepayments	(454)	(383)	(454)	(383)
Others	-	7	-	-
Deferred tax assets, net	9,538	6,625	9,762	6,905

The table below summarises the amount and expiry date of carry forward tax losses and amount of tax losses for which no deferred tax asset is recognised in the statement of financial position:

Year of expiry	Carry forward tax losses	Tax losses where deferred tax is not recognised
	K'000	K'000
2027	35,247	35,247
2028	27,276	27,276
2029	24,778	24,778
Total	87,301	87,301

In addition, no deferred tax asset has been recognised in respect of certain temporary differences of K48.5 million as at 31 December 2025 (31 December 2024: K38.5 million).

Movements in deferred taxes are as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Balance at beginning of the year	6,625	350	6,905	575
Consolidated statement of profit or loss credits/ (charges)	2,330	6,461	2,274	6,516
Consolidated statement of OCI credits/ (charges)	583	(186)	583	(186)
Balance at end of the year	9,538	6,625	9,762	6,905

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Notes to the consolidated financial statements For the year ended 31 December 2025

9. Subsidiaries

Details of the Company's subsidiaries at 31 December 2025 are as follows:

Subsidiary	Principal activities	Place of Incorporation	Ownership Interest	
			2025	2024
Galatoire Ltd	Investment property management	Papua New Guinea	100%	100%
PNG Ground Services Ltd	Supply of aviation fuel	Papua New Guinea	100%	100%
APNG Services Pty Ltd	Supply of international aircrew	Australia	100%	100%

10. Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Cash and bank balances	33,847	5,151	33,329	4,032
Bank overdraft (Note 21)	(6,532)	(765)	(6,532)	(765)
	27,315	4,386	26,797	3,267

11. Property, plant and equipment

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Cost or valuation	126,146	147,344	120,448	142,381
Accumulated depreciation and impairment losses	(83,857)	(67,492)	(81,188)	(64,935)
	42,289	79,852	39,260	77,446
Land and buildings- at cost	6,033	5,549	2,997	3,140
Owned aircraft- at fair value	-	35,629	-	35,629
Leased aircraft improvements – at cost	30,077	26,509	30,077	26,509
Plant and equipment- at cost	2,919	1,837	2,926	1,840
Rotable parts- at fair value	3,226	10,248	3,226	10,248
Motor vehicles- at cost	34	80	34	80
	42,289	79,852	39,260	77,446

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Notes to the consolidated financial statements For the year ended 31 December 2025

11. Property, plant and equipment

The movements in property, plant and equipment are as follows:

Consolidated	Land and Buildings K'000	Owne d aircraft K'000	Leased aircraft improvement K'000	Plant and equipment K'000	Rotable parts K'000	Motor vehicles K'000	Total K'000
Cost or valuation							
Balance at 1 January 2024	8,403	81,148	53,816	21,684	30,957	2,744	198,752
Additions	283	6,684	13,977	571	1,085	-	22,600
Revaluation decrease	-	(14,059)	-	-	(21,111)	-	(35,170)
Elimination on revaluation	-	(38,144)	-	-	-	-	(38,144)
Disposals	-	-	-	(11)	(683)	-	(694)
Balance at 31 December 2024	8,686	35,629	67,793	22,244	10,248	2,744	147,344
Balance at 1 January 2025	8,686	35,629	67,793	22,244	10,248	2,744	147,344
Additions	735	-	18,590	2,128	5,346	-	26,799
Revaluation decrease	-	(1,940)	-	-	-	-	(1,940)
Disposals	-	-	-	-	(5,564)	-	(5,564)
Reclass to assets held for resale (Note 14)	-	(33,689)	-	-	(6,804)	-	(40,493)
Balance at 31 December 2025	9,421	-	86,383	24,372	3,226	2,744	126,146
Accumulated depreciation							
Balance at 1 January 2024	2,910	33,039	27,273	19,266	-	2,616	85,104
Depreciation charge	227	5,105	14,011	1,141	-	48	20,532
Elimination on revaluation	-	(38,144)	-	-	-	-	(38,144)
Balance at 31 December 2024	3,137	-	41,284	20,407	-	2,664	67,492
Balance at 1 January 2025	3,137	-	41,284	20,407	-	2,664	67,492
Depreciation charge	251	1,724	15,022	1,046	-	46	18,089
Reclass to assets held for resale (Note 14)	-	(1,724)	-	-	-	-	(1,724)
Balance at 31 December 2025	3,388	-	56,306	21,453	-	2,710	83,857
Net book value							
At 31 December 2025	6,033	-	30,077	2,919	3,226	34	42,289
At 31 December 2024	5,549	35,629	26,509	1,837	10,248	80	79,852

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Notes to the consolidated financial statements For the year ended 31 December 2025

11. Property, plant and equipment (continued)

Company	Land & Buildings K'000	Owned aircraft K'000	Leased aircraft improvement	Plant and Equipment K'000	Rotable Parts K'000	Motor vehicles K'000	Total K'000
Cost or valuation							
Balance at 1 January 2024	4,765	81,148	53,816	21,147	30,957	2,227	194,060
Additions	-	6,684	13,977	572	1,085	-	22,318
Revaluation decrease	-	(14,059)	-	-	(21,111)	-	(35,170)
Elimination on revaluation	-	(38,144)	-	-	-	-	(38,144)
Disposals	-	-	-	-	(683)	-	(683)
At 31 December 2024	4,765	35,629	67,793	21,719	10,248	2,227	142,381
Balance at 1 January 2025	4,765	35,629	67,793	21,719	10,248	2,227	142,381
Additions	-	-	18,590	2,128	5,346	-	26,064
Revaluation decrease	-	(1,940)	-	-	-	-	(1,940)
Disposals	-	-	-	-	(5,564)	-	(5,564)
Reclass to assets held for resale (Note 14)	-	(33,689)	-	-	(6,804)	-	(40,493)
At 31 December 2025	4,765	-	86,383	23,847	3,226	2,227	120,448
Accumulated depreciation							
Balance at 1 January 2024	1,481	33,037	27,273	18,759	-	2,099	82,649
Depreciation charge	144	5,107	14,011	1,120	-	48	20,430
Elimination on revaluation	-	(38,144)	-	-	-	-	(38,144)
At 31 December 2024	1,625	-	41,284	19,879	-	2,147	64,935
Balance at 1 January 2025	1,625	-	41,284	19,879	-	2,147	64,935
Depreciation charge	143	1,724	15,022	1,042	-	46	17,977
Reclass to assets held for resale (Note 14)	-	(1,724)	-	-	-	-	(1,724)
At 31 December 2025	1,768	-	56,306	20,921	-	2,193	81,188
Net book value							
at 31 December 2025	2,997	-	30,077	2,926	3,226	34	39,260
at 31 December 2024	3,140	35,629	26,509	1,840	10,248	80	77,446

11.1.1 Loss on revaluation recognised in the period

During the year ended 31 December 2025, the Group has not recognised loss on revaluation in the statement of profit or loss (2024: K35.8 million) and has recognised revaluation loss of K1.9 million (2024: K0.7 million) through the revaluation reserve.

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Notes to the consolidated financial statements For the year ended 31 December 2025

11. Property, plant and equipment (continued)

11.1.2 Fleet renewal program

On 10 December 2024, the Directors endorsed a three-year Strategic plan for 2025 to 2027, which among other initiatives, included retirement and disposal of the Dash 8 fleet. Dash 8 fleet refers to nine (9) aircraft owned by the Group of which at 31 December 2024 six (6) were grounded, one (1) in maintenance and two (2) operating.

On 17 December 2025, Dash 8 fleet met the held for sale criteria, as such all Dash 8 aircraft and related spare parts were classified as held for sale (As at 31 December 2024, Dash 8 fleet did not qualify as held for sale). Refer to Note 14 for further details.

11.2 Owned aircraft and rotables carried at fair value

Owned aircraft and rotables were last revalued by an independent valuer at 31 December 2024. The aircraft and rotables valuations were conducted by considering the current market conditions. Key variable considerations include service tags or component status cards, turnover of rotatable parts, market appeal, and desirability where the valuer indicated that the ATR spare parts are quite buoyantly traded and landing gear parts and propeller parts are very sought after with strong trading prices.

As at 31 December 2025, following the classification of owned aircraft as held for sale, Directors' assessment was carried out to assess the reasonableness of the fair values of the rotables and determined that the carrying amount of the rotables are not materially different from their fair value. Details of the Group's aircraft and rotables and information about the fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2025
	K'000	K'000	K'000	K'000
Rotable parts	-	3,226	-	3,226

	Level 1	Level 2	Level 3	Fair value as at 31/12/2024
	K'000	K'000	K'000	K'000
Aircraft	-	35,629	-	35,629
Rotable parts	-	10,248	-	10,248

11.3 Assets pledged as security

Land and buildings with carrying amount of K1.9 million (2024: K2.0 million) have been pledged to secure borrowings of the Group (see Note 21).

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Notes to the consolidated financial statements For the year ended 31 December 2025

12. Other financial assets

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Current				
Maintenance reserve deposits	10,436	14,600	10,436	14,600
Related party receivables	-	-	10,427	3,366
Commitment fee	16,478	-	16,478	-
	<u>26,914</u>	<u>14,600</u>	<u>37,341</u>	<u>17,966</u>
Non-current				
Security deposits on leased assets	4,987	4,028	4,987	4,028
Investments in subsidiaries	-	-	20	20
Maintenance reserve deposits	77,308	45,379	77,308	45,379
	<u>82,295</u>	<u>49,407</u>	<u>82,315</u>	<u>49,427</u>

On 10 October 2025, the Group signed a letter of intention with the supplier to purchase three (3) ATR aircraft and paid a commitment fee of K16.5 million with funds provided by subsidiaries of MRDC being Petroleum Resource Kutubu Ltd, Petroleum Resources Gobe Ltd and Gas Resources PNG LNG Pipeline Limited which remain payable as at 31 December 2025. As disclosed in Note 31, on 22 January 2026, a sale and purchase agreement was executed between the Group and the supplier. Amounts due to MRDC and its subsidiaries are included in other liabilities (refer to Note 22).

13. Other assets

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Current				
Prepayments to suppliers	9,534	6,137	9,514	6,119
	<u>9,534</u>	<u>6,137</u>	<u>9,514</u>	<u>6,119</u>
Non-current				
Aircraft pre-delivery payments	121,550	9,094	121,550	9,094
	<u>121,550</u>	<u>9,094</u>	<u>121,550</u>	<u>9,094</u>

On 13 March 2025, the Group entered into a sale and purchase agreement with the supplier to purchase three (3) ATR aircraft. Following the execution of the sale and purchase agreement, the Group made pre-delivery payments of K121.5 million with funds provided by a subsidiary of MRDC being Bugulim Air Service Limited which remain payable as at 31 December 2025. Amounts due to MRDC and its subsidiaries are included in other liabilities (refer to Note 22).

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Notes to the consolidated financial statements For the year ended 31 December 2025

14. Asset held for sale

	2025	
	Consolidated	Company
	K'000	K'000
As at 1 January		
Reclass from property, plant and equipment (Note 11)	38,769	38,769
Impairment loss (Note 5.4)	(9,712)	(9,712)
	29,058	29,058

Following the endorsement by the Directors (refer Note 11.1.2), during 2025 the Group commenced an active programme to dispose of its Dash-8 aircraft and related spare parts. This included direct engagement with a broad range of potential interested parties and continued discussions with secured creditors holding liens over the Dash-8 fleet to facilitate their release in preparation for sale.

On 17 December 2025, the Group received in-principle agreement from the final secured creditor to release its security over the Dash-8 aircraft. From this date, the Dash-8 aircraft and associated spare parts were available for immediate sale in their present condition, and management concluded that the criteria for classification as assets held for sale under IFRS 5 were met. Accordingly, all Dash-8 aircraft and related spare parts were classified as held for sale as at that date. Upon classification as held for sale, the assets were measured at the lower of their carrying amount and fair value less costs to sell, resulting in the recognition of an impairment loss of K9.7 million, which has been recognised in statement of profit or loss. Depreciation of the Dash-8 aircraft ceased from the date of classification.

As at 31 December 2025, management has assessed that the fair value less costs to sell determined at date of initial classification as held for sale remains appropriate and no further impairment adjustment is required.

During 2025, the Group received multiple offers and expressions of interest from potential buyers for the Dash-8 fleet and associated components. Based on the nature of the interest received, management determined that the most appropriate disposal strategy for certain aircraft was to dismantle them for parts rather than sell them as complete aircraft. As a result, six (6) grounded Dash-8 aircraft were dismantled, and the parts recovered form part of the assets held for sale.

As of the date of these consolidated financial statements, the disposal process is not completed yet, refer to Note 31 for further details.

15. Inventories

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Consumables stock on hand – at cost	7,487	17,918	7,127	17,300
Allowance for stock obsolescence	(286)	(13,553)	(286)	(13,553)
	7,201	4,365	6,841	3,747

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Notes to the consolidated financial statements For the year ended 31 December 2025

16. Trade and other receivables

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Trade receivables	33,747	25,587	33,620	25,359
Allowance for expected credit losses	(878)	(470)	(610)	(412)
	32,869	25,117	33,010	24,947
Other receivables	7,900	1,665	6,827	1,631
Income tax receivable	22	18	-	-
	40,791	26,800	39,837	26,578

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables.

The following table shows the movement in expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Balance as at 1 January	(470)	(470)	(412)	(412)
Impairment provision charge in the year	(408)	-	(198)	-
Balance at 31 December	(878)	(470)	(610)	(412)

Ageing of past due but not impaired

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
61-90 days	489	1,096	489	1,082
Over 90 days	908	984	908	962
Total	1,397	2,080	1,397	2,044
Average age (days)	33	26	33	26

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Notes to the consolidated financial statements For the year ended 31 December 2025

17. Issued capital and other contributed equity

17.1 Issued capital

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Opening Issued capital	155,496	155,496	155,496	155,496
Issuance of ordinary shares (a)	29,062	-	29,062	-
Conversion of other capital contributions into issued capital (Note 17.2)	35,527	-	35,527	-
Closing issued capital	220,085	155,496	220,085	155,496

(a) Rights issue

On 8 September 2025, shareholders approved PNG Air issuing up to one billion new ordinary shares at a price of 2 toea per share and to raise up to PGK20 million in additional capital on terms and conditions that give preference to existing minority shareholders and with new investors being invited to subscribe for any new shares which the existing minority shareholders do not subscribe for. Weathermen Capital Advisors has been appointed as agent and broker. On 28 November 2025, due to high interest, shareholders approved to further increase the capital raise threshold to PGK35 million to accommodate investors' interest in the market.

The capital raising was completed in December 2025, and 1,490,290,800 new shares were issued and K29.8 million was raised. Incremental share issuance costs of K0.7 million incurred by the Group were deducted from equity.

17.2 Other contributed equity

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
At beginning of year	46,134	21,134	46,134	21,134
Additional capital contribution received	-	25,000	-	25,000
Conversion other contributed capital to issued capital (Note 17.1)	(35,527)	-	(35,527)	-
At end of year	10,607	46,134	10,607	46,134

(a) Conversion of other contributed capital

On 12 June 2025, the Company converted the other contributed equity into a fixed number of shares and had issued 4,214,400,948 ordinary shares equivalent to K35.5 million contributed equity.

Other contributed equity as at end of the year comprises of the following:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Equity settled transaction	-	5,527	-	5,527
Capital contribution received	-	30,000	-	30,000
Other components of other contributed equity	10,607	10,607	10,607	10,607
At end of year	10,607	46,134	10,607	46,134

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Notes to the consolidated financial statements For the year ended 31 December 2025

18. (Loss)/ Earnings per share

	Consolidated		Company	
	2025	2024	2025	2024
	Toea	Toea	Toea	Toea
Basic and diluted (loss)/ earnings per share	(0.10)	(0.50)	(0.10)	(0.51)

Basic and diluted (loss)/ earnings is calculated by dividing the profit or loss for the year by the weighted average number of shares that were outstanding during the year.

Basic and diluted (loss)/ earnings per share

The (loss)/ earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Loss for the year	(9,979)	(20,252)	(9,939)	(20,820)
Loss used in the calculation of basic and diluted earnings per share	(9,979)	(20,252)	(9,939)	(20,820)
Weighted average number of ordinary shares	9,777,835,548	4,073,143,800	9,777,835,548	4,073,143,800

19. Revaluation reserve

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Balance at beginning of year	1,358	925	1,358	925
Revaluation of aircraft (net of tax)	(1,358)	433	(1,358)	433
Balance at end of year	-	1,358	-	1,358

20. Accumulated losses

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Balance at beginning of year	(233,619)	(213,369)	(234,959)	(214,139)
Exchange gain on translation of foreign operation	9	2	-	-
Loss for the year	(9,979)	(20,252)	(9,939)	(20,820)
Balance at end of year	(243,589)	(233,619)	(244,898)	(234,959)

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Notes to the consolidated financial statements For the year ended 31 December 2025

21. Borrowings

		Consolidated		Company	
		2025	2024	2025	2024
		K'000	K'000	K'000	K'000
a) Current					
Bank overdrafts	(i)	6,532	765	6,532	765
Secured notes	(ii)	1,492	2,137	1,492	2,137
Loan from shareholder (Note 17.2)	(iii)	-	129	-	129
		<u>8,024</u>	<u>3,032</u>	<u>8,024</u>	<u>3,032</u>
b) Non-current					
Secured notes	(ii)	-	1,538	-	1,538
Loan from shareholder (Note 17.2)	(iii)	1,757	1,767	1,757	1,767
		<u>1,757</u>	<u>3,305</u>	<u>1,757</u>	<u>3,305</u>
Total Borrowings		<u>9,782</u>	<u>6,337</u>	<u>9,782</u>	<u>6,337</u>

Summary of borrowing arrangements

- (i) The bank holds a floating charge over the whole of the Company's assets and undertakings including: Called, but unpaid capital; and uncalled capital.

The overdrafts are repayable on demand and attract the interest as the bank loans.

The Group is required to maintain certain financial and non-financial covenants.

In May 2025, the bank released its security over the Dash 8 aircraft. In addition, an increase in overdraft facility from K20.0 million to K40.0 million was approved, with the facility guaranteed by MRDC.

- (ii) The Group's secured note is held by a private company, that was included on the scheme arrangement. Monthly repayment plan for the remaining outstanding balance to noteholders was agreed and no interest is charged provided that monthly payments are made in full and when due.

- (iii) The repayment to shareholder is deferred in 2026, aligned on the return of sublease aircraft.

Further details concerning interest rates and repayments are included in Note 26.

The table below sets out an analysis of borrowings (excluding bank overdraft) movements during the year:

		Consolidated		Company	
		2025	2024	2025	2024
		K'000	K'000	K'000	K'000
At beginning of year		5,571	8,254	5,571	8,254
Cash repayments		(2,400)	(3,275)	(2,400)	(3,275)
Interest expense		371	592	371	592
Remeasurement		(292)	-	(292)	-
At end of year		<u>3,250</u>	<u>5,571</u>	<u>3,250</u>	<u>5,571</u>

Bank overdraft balance amounted to K6.53 million and K0.76 million as at 31 December 2025 and 2024, respectively.

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Notes to the consolidated financial statements For the year ended 31 December 2025

21. Borrowings (continued)

Financing facilities

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
<i>Secured bank overdraft facility</i>				
- amount used	6,532	765	6,532	765
- amount unused	33,468	19,235	33,468	19,235
	40,000	20,000	40,000	20,000
<i>Secured notes from non-financial institution</i>				
- amount used	1,492	3,675	1,492	3,675
- amount unused	-	-	-	-
	1,492	3,675	1,492	3,675
<i>Unsecured loan from shareholder</i>				
- amount used	1,758	1,897	1,758	1,897
- amount unused	-	-	-	-
	1,758	1,897	1,758	1,897
<i>Total</i>				
- amount used	9,782	6,337	9,782	6,337
- amount unused	33,468	19,235	33,468	19,235
	43,250	25,572	43,250	25,572

22. Other liabilities

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
(a) Current				
Acquisition of Dash 8 (i)	-	3,223	-	3,223
Liabilities to other creditors (ii)	99	95	99	95
Other payables to MRDC and its subsidiaries (Note 29.1)	144,847	-	144,847	-
	144,946	3,318	144,946	3,318
(b) Non-current				
Liabilities to other creditors (ii)	45,838	45,659	45,838	45,659
	45,838	45,659	45,838	45,659
	190,784	48,977	190,784	48,977

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Notes to the consolidated financial statements For the year ended 31 December 2025

22. Other liabilities (continued)

- (i) Acquisition of Dash 8 aircraft
In 2024, the Group completed the purchase of three (3) Dash 8 aircraft that were previously held under lease arrangements. Purchase of one (1) Dash 8 aircraft was under deferred payment arrangement with instalment payments until October 2025.

- (ii) Liabilities to other creditors

As outcome of the Scheme, in 2023 the Company and other creditors agreed to monthly repayment plans which resulted in the derecognition of previous obligations and the recognition of new financial liabilities measured at fair value.

Movement in other liabilities are as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
At 1 January	48,977	52,305	48,977	52,305
Cash received from MRDC and its subsidiaries (Note 29.1)	144,847	-	144,847	-
Acquisition of Dash 8 aircraft	-	3,223	-	3,223
Cash payments made during the year	(6,376)	(3,260)	(6,376)	(3,260)
Interest during the year	1,464	1,469	1,464	1,469
Extinguishment of debt	-	(5,843)	-	(5,843)
Effect of foreign exchange difference	1,872	1,084	1,872	1,084
	190,784	48,977	190,784	48,977

23. Leases

23.1 Right-of-use assets

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Cost	453,119	338,821	449,138	336,237
Accumulated depreciation	(215,856)	(185,880)	(213,950)	(184,396)
	237,263	152,941	235,188	151,841

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Notes to the consolidated financial statements For the year ended 31 December 2025

23. Leases

23.1 Right-of-use assets (continued)

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

Consolidated	Aircraft	Other	Total
	K'000	K'000	K'000
<i>Cost</i>			
Balance at 1 January 2024	319,815	21,398	341,213
New leases	23,425	3,654	27,079
Remeasurement	(185)	-	(185)
Derecognition (Note 11.2)	(29,286)	-	(29,286)
Balance at 31 December 2024	313,769	25,052	338,821
Balance at 1 January 2025	313,769	25,052	338,821
New leases	99,607	17,586	117,193
Remeasurement	(5,707)	3,093	(2,614)
Derecognition (Note 11.2)	-	(281)	(281)
Balance at 31 December 2025	407,669	45,450	453,120
<i>Accumulated depreciation</i>			
Balance at 1 January 2024	(173,133)	(11,868)	(185,001)
Charge during the year	(24,084)	(3,744)	(27,828)
Derecognition (Note 11.2)	26,949	-	26,949
Balance at 31 December 2024	(170,268)	(15,612)	(185,880)
Balance at 1 January 2025	(170,268)	(15,612)	(185,880)
Charge during the year	(23,812)	(6,270)	(30,082)
Derecognition (Note 11.2)	-	106	106
Balance at 31 December 2025	(194,080)	(21,776)	(215,856)
Carrying amount			
At 31 December 2024	143,501	9,440	152,941
At 31 December 2025	213,589	23,674	237,263

The Group's other right of use assets include lease of offices and ports, employee accommodations, and heavy equipment.

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Notes to the consolidated financial statements For the year ended 31 December 2025

23. Leases (continued)

23.1 Right-of-use assets (continued)

Company	Aircraft	Other	Total
	K'000	K'000	K'000
<i>Cost</i>			
Balance at 1 January 2024	319,815	19,290	339,105
New leases	23,425	3,178	26,603
Remeasurement	(185)	-	(185)
Derecognition (Note 11.2)	(29,286)	-	(29,286)
Balance at 31 December 2024	313,769	22,468	336,237
Balance at 1 January 2025	313,769	22,468	336,237
New leases	99,607	16,453	116,060
Remeasurement	(5,707)	2,829	(2,878)
Derecognition (Note 11.2)	-	(281)	(281)
Balance at 31 December 2025	407,669	41,469	449,138
<i>Accumulated depreciation</i>			
Balance at 1 January 2024	(173,133)	(10,698)	(183,831)
Charge during the year	(24,084)	(3,430)	(27,514)
Derecognition (Note 11.2)	26,949	-	26,949
Balance at 31 December 2024	(170,268)	(14,128)	(184,396)
Balance at 1 January 2025	(170,268)	(14,128)	(184,396)
Charge during the year	(23,812)	(5,847)	(29,660)
Derecognition (Note 11.2)	-	106	106
Balance at 31 December 2025	(194,080)	(19,869)	(213,950)
Carrying amount			
At 31 December 2024	143,501	8,340	151,841
At 31 December 2025	213,588	21,600	235,188

The Company's other right of use assets include lease of offices and ports and employee accommodations.

23.2 Lease liabilities

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Current	36,744	29,351	35,984	28,936
Non-current	315,694	231,182	314,184	230,319
	352,438	260,533	350,168	259,255

The maturity analysis of lease liabilities are as follows:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Within 1 Year	81,021	63,774	80,429	63,263
2 to 3 Years	185,734	127,513	185,228	127,002
4 to 5 Years	159,701	116,170	159,280	115,749
More than 5 Years	82,592	83,174	80,239	83,174
Less: Discounting effect	(156,610)	(130,098)	(155,008)	(129,933)
	352,438	260,533	350,168	259,255

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Notes to the consolidated financial statements For the year ended 31 December 2025

23. Leases (continued)

23.2 Lease liabilities (continued)

The table below sets out an analysis of lease liabilities movements during the year:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
At 1 January	260,533	251,368	259,255	250,211
Lease modification during the year	(3,948)	-	(4,211)	-
New leases	108,000	24,674	106,867	24,198
Acquisition of Dash 8 leased aircraft	-	(2,731)	-	(2,731)
Liability forgiven on Dash 8 acquisition	-	(2,683)	-	(2,683)
Lease termination	(184)	-	(184)	-
Lease payments	(65,682)	(64,061)	(65,131)	(63,598)
Interest	38,136	36,779	37,989	36,670
Effect of foreign exchange	15,583	17,187	15,583	17,188
At 31 December	352,438	260,533	350,168	259,255

The incremental borrowing rate applied to the lease liabilities during the year were between 8.0% and 14.7% (2024: between 8.0% and 14.7%). The average lease term has been disclosed in Note 3.5.1. Aircraft leases denominated in United States Dollars and other leases are in Kina.

(i) Lease modification

In 2025, the Group renegotiated the lease rates with one of the aircraft lessors resulting in lease modification due to change in lease payments. In addition, certain office and staff accommodation leases were also remeasured during the year due to change in lease term and lease payments.

(ii) Additional Leases

During 2025, the Group entered into a new lease agreement with a related party (refer to Note 29) for three (3) ATR 72-600 aircraft, which was delivered during 2025 (October, November and December).

In addition, the Group entered into other new leases during the year such as offices, staff accommodation, and heavy equipment leases.

(iii) Acquisition of Dash 8 leased aircraft

As disclosed in Note 11.1.2, during the year ended 31 December 2024, the Group acquired Dash 8 aircraft that were previously under lease arrangements. This arrangement resulted in extinguishment of existing lease liability.

Further, during 2024, the Group received a waiver of unpaid leases from lessor with total amount of K2.7 million which has been recognised as gain on debt extinguishment (Note 5.2).

23.3 Amounts recognised in the statement of profit or loss

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Depreciation charges included in:				
- Cost of sales	(23,812)	(24,084)	(23,812)	(24,084)
- Administration expenses	(6,270)	(3,744)	(5,848)	(3,430)
Interest expense included in finance costs	(38,136)	(36,779)	(37,989)	(36,670)
Short term and low value leases	(1,944)	(1,955)	(1,309)	(1,079)

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Notes to the consolidated financial statements For the year ended 31 December 2025

24. Provisions

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Current				
Provision for annual leave (i)	2,578	1,902	2,539	1,870
Provision for return conditions costs (iii)	-	-	-	-
	2,578	1,902	2,539	1,870
Non-current				
Provision for long service leave (ii)	4,275	3,250	4,251	3,229
Provision for return conditions costs (iii)	23,657	14,092	23,657	14,092
	27,932	17,342	27,908	17,321

Movements in provisions are as follow:

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
<i>(i) Movement in provision for annual leave</i>				
Balance at the start of the year	1,902	2,027	1,870	1,998
Additional provision / (amount used)	676	(125)	669	(128)
Balance at the end of the year	2,578	1,902	2,539	1,870
<i>(ii) Movement in provision for long service leave</i>				
Balance at the start of the year	3,250	2,781	3,229	2,722
Amount used	(486)	(1,505)	(486)	(1,505)
Additional provision recognised	1,511	1,974	1,508	2,012
Balance at the end of the year	4,275	3,250	4,251	3,229
<i>(iii) Movement in provision for return conditions costs</i>				
Balance at the start of the year	14,092	12,761	14,092	12,761
Additional provisions	5,343	2,969	5,343	2,969
Unwinding of discount	1,698	1,671	1,698	1,671
Change in estimates	1,333	(185)	1,333	(185)
Derecognition of provision*	-	(4,019)	-	(4,019)
Effect of foreign exchange	1,191	895	1,191	895
Balance at the end of the year	23,657	14,092	23,657	14,092

*Derecognition of provision for Dash-8 return condition costs following the acquisition of Dash 8 aircraft that were previously under lease arrangements.

25. Trade and other payables and revenue received in advance

25.1 Trade and other payables

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Trade payables	13,452	10,446	23,643	13,611
Accrued expenses	32,724	21,849	29,922	19,936
Salary and wages tax and GST payable	5,320	3,074	5,320	3,014
Income tax payable	-	336	-	-
Advance payment from customers	1,998	1,195	1,966	1,193
	53,494	36,900	60,851	37,754

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Notes to the consolidated financial statements For the year ended 31 December 2025

25. Trade and other payables and revenue received in advance (continued)

25.1 Trade and other payables (continued)

The amounts payable are unsecured and are usually paid between 7 and 60 days after recognition. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

25.2 Revenue received in advance

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Revenue received in advance	15,998	11,335	15,998	11,335
Revenue received as subsidy	172	2,276	172	2,276
	16,170	13,611	16,170	13,611

Revenue received in advance is made up of sales to passengers in advance of the date of passenger travel. Revenue recognised that was included in the revenue received in advance balance at the beginning of the period amounted to K8.5 million (2024: K5.2 million).

Revenue received as subsidy represents government subsidies provided to the Group in 2022 and in 2023 to subsidise freight and route costs to be incurred on specified regional routes. The purpose of these subsidies was to enable the Group to maintain essential connectivity across regional routes while sustaining current pricing levels for freight and passenger services. During 2025, the Company recognised K2.1 million of freight and route subsidy revenue (included in revenue from contracts with customers) (2024: K4.7 million).

The freight and route subsidies are subject to conditions requiring the Group to operate on designated regional routes at a minimum frequency and to apply the subsidies to freight and route costs only. As at the reporting date, the Group continues to meet these conditions. Management has assessed that there are no material unfulfilled conditions or contingencies attaching to the subsidies that would give rise to repayment obligations.

26. Financial instruments

26.1 Recognised financial instruments

The Group does not enter into or trade financial instruments, including derivative instruments, for speculative purposes. While the Group does make use of short-term deposits and bank overdraft facilities with registered trading banks to manage short term funds, the use of other financial assets and liabilities requires the specific prior approval of the Board of Directors.

26.2 Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

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Notes to the consolidated financial statements For the year ended 31 December 2025

26. Financial instruments (continued)

26.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see Note 26.4 below) and interest rates (see Note 26.5 below). Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

26.4 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. The Group has negotiated a number of contracts with its customers where payments are received in either United States or Australian dollars. The value of these contracts is roughly equal to the anticipated outflow of expenditure in those respective currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Australian Dollar	726	873	42	-
United States Dollar	331,558	254,803	10,865	6,948

26.4.1 Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Kina against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Kina strengthens 10% against the relevant currency. For a 10% weakening of the Kina against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

	Australian Dollar impact		United States Dollar impact	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Effect of 10% strengthening of Kina	62	79	29,154	22,239
Effect of 10% weakening of Kina	(68)	(87)	(32,069)	(24,463)

26.5 Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating borrowings. Interest rates are subject to change based on review by the financial institutions and agreed by management.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

26. Financial instruments (continued)

26.5 Interest rate risk management (continued)

26.5.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and presents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2025 would increase/decrease by K3.8 million (2024: by increase/decrease K1.8 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the reduction in variable rate debt instruments.

26.6 Commodity Risk

The group is exposed to commodity risk from fuel price changes. Fuel prices are regulated in Papua New Guinea by the Government and are set in Kina.

26.7 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly. The Group measures credit risk on a fair basis.

Trade receivables consist of a number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and from time to time there may be a significant concentration of credit risk for a particular contract. As at 31 December 2025 and 2024, the Group has not identified any significant concentration of credit risk.

26.8 Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

26.8.1 Liquidity and risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

26. Financial instruments (continued)

26.8.1 Liquidity and risk tables (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Variable interest rate	Within 1 year	1-2years	2-3 years	3+ Years	Total
	%	%	K'000	K'000	K'000	K'000	K'000
Consolidated							
31 December 2025							
Financial liabilities							
Trade payables			13,452	-	-	-	13,452
Other payables			34,721	-	-	-	34,721
Bank overdrafts	9.15%	-	6,532	-	-	-	6,532
Secured notes	8.00%	-	1,851	-	-	-	1,851
Loan from shareholder	9.15%	-	100	1,200	756	-	2,056
Lease liabilities	10.56%	-	81,021	185,734	159,701	82,592	509,049
Other liabilities	6.66%	-	8,066	8,066	4,018	88,026	108,176
Other liabilities to MRDC and its subsidiaries (Note 29.1)			144,847	-	-	-	144,847
			290,590	195,000	164,475	170,618	820,684

31 December 2024							
Financial liabilities							
Trade payables			10,446	-	-	-	10,446
Other payables			23,842	-	-	-	23,842
Bank loans and overdrafts	9.65%	-	765	-	-	-	765
Secured notes	7.90%	-	2,324	1,641	-	-	3,965
Loan from shareholder	9.15%	-	-	1,169	901	-	2,070
Lease liabilities	14.13%	-	63,774	127,513	116,170	83,174	390,631
Other liabilities	6.66%	-	4,783	1,559	6,847	99,491	112,680
			105,934	131,882	123,918	182,665	544,399

	Weighted average effective interest rate	Variable interest rate	Within 1 year	1-2 years	2-3 years	3+ Years	Total
	%	%	K'000	K'000	K'000	K'000	K'000
Company							
31 December 2025							
Financial liabilities							
Trade payables			23,643	-	-	-	23,643
Other payables			31,889	-	-	-	31,889
Bank overdrafts	9.15%	-	6,532	-	-	-	6,532
Secured notes	8.00%	-	1,851	-	-	-	1,851
Loan from shareholder	9.15%	-	100	1,200	756	-	2,056
Lease liabilities	10.56%	-	80,429	185,228	159,280	80,239	505,177
Other liabilities	6.66%	-	8,066	8,066	4,018	88,026	108,176
Other liabilities to MRDC and its subsidiaries (Note 29.1)			144,847	-	-	-	144,847
			297,357	194,494	164,055	168,265	824,171

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

26. Financial instruments (continued)

	Weighted average effective interest rate	Variable interest rate	Within 1 year	1-2 years	2-3 years	3+ Years	Total
	%	%	K'000	K'000	K'000	K'000	K'000
Company							
31 December 2024							
Financial liabilities							
Trade payables			13,611	-	-	-	13,611
Related party payables			-	-	-	-	-
Other payables			21,929	-	-	-	21,929
Bank loans and overdrafts	9.65%	-	765	-	-	-	765
Secured notes	7.90%	-	2,324	1,641	-	-	3,965
Loan from shareholder	9.15%	-	-	1,169	901	-	2,070
Lease liabilities	14.13%	-	63,263	127,002	115,749	83,174	389,188
Other liabilities	6.66%	-	4,783	1,559	6,847	99,491	112,680
			106,675	131,371	123,497	182,665	544,208

At the end of the reporting period, there were no financial guarantee contracts (2024: Nil).

27. Auditors Remuneration

	Consolidated		Company	
	2025	2024	2025	2024
	K'000	K'000	K'000	K'000
Deloitte Touche Tohmatsu:				
- Audit Fee	1,532	1,755	1,323	1,755
- Other services fees	237	214	208	163
	1,769	1,969	1,531	1,918

28. Other company information

The total number of employees at the Group level at year end was:

	Consolidated		Company	
	2025	2024	2025	2024
National employees	550	459	544	447
Expatriate employees	140	104	138	102
	690	563	682	549

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

29. Related parties

29.1 Transactions with subsidiaries and affiliated companies

The Group and the Company had the following transactions with related parties that occurred on normal trading terms during the year.

Related Party	Relationship	Nature of transaction	2025	2024
			K'000	K'000
APNG Services Pty Ltd	Subsidiary	Supply of Aircrew	(1,274)	(596)
		Settlement	2,332	1,577
Galatoire Limited	Subsidiary	Rental charges	(420)	(420)
		Maintenance costs	2,376	2,530
PNG Ground Services Limited	Subsidiary	Fuel Sales	(38,145)	(27,052)
		Settlement	45,558	27,327
Mineral Resources Development Corporation	Shareholder	Commercial Office rental	(110)	(264)
		RPT and charter sales	3,659	5,027
Outstanding balances				
			Related party receivable 20252024 K'000K'000	
<i>Included in related party receivable (Note 12)</i>			Related party payable 20252024 K'000K'000	
APNG Services Pty Ltd			1,058	981
Galatoire Limited			1,956	2,110
PNG Ground Services Limited			7,413	275
			10,427	3,336
<i>Included in trade and other payables</i>				
PNG Ground Services Limited			-	-
			13,930	5,946
<i>Included in trade and other receivables</i>				
Mineral Resources Development Corporation and its subsidiaries			478	1,016
			-	-
<i>Included in other liabilities (Note 22)</i>				
Mineral Resources Development Corporation and its subsidiaries			-	-
			144,847	-
			10,905	4,382
			158,777	5,946

Other transactions with related parties

Fleet expansion and renewal

As disclosed in Note 3.2, MRDC and its subsidiaries have committed to facilitate the acquisition of six new aircraft by the Group as part of its fleet renewal program. During the year ended 31 December 2025, the Group signed sale and purchase agreements for three aircraft and entered into letters of intent for the remaining three. Certain pre-delivery payments and commitment fees were remitted to suppliers using funds provided by subsidiaries of MRDC being Petroleum Resource Kutubu Ltd, Petroleum Resources Gobe Ltd, Gas Resources PNG LNG Pipeline Limited and Bugulim Air Service Limited; consequently, as at 31 December 2025, the Group owed these entities K144.8 million which management anticipates will be reflected in the resultant lease liabilities upon execution of the related aircraft lease agreements. It is anticipated that the related cash outflows in the period to 31 December 2026 will be limited to the agreed monthly lease payments. Contractually the six aircraft deliveries are scheduled to occur from April to September 2026.

It is anticipated that once each aircraft is ready for delivery, ownership rights will be assigned to a subsidiary of MRDC, which will then own and on-lease all six new aircraft to the Group.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

29. Related parties (continued)

29.1 Transactions with subsidiaries and affiliated companies (continued)

Between October and December 2025, the Group entered into a sublease agreement for three ATR aircraft (in April 2024, the Group executed a sublease agreement for one ATR aircraft) through PNG Balus Limited, a wholly owned subsidiary of MRDC. The head lease between PNG Balus Limited and the head lessor, as well as the sublease arrangement between PNG Air and PNG Balus Limited, are structured on identical terms.

Capital contributions

In March and April 2024, the Company received cash contributions of K25 million from MRDC and its subsidiaries for which a fixed number of shares were issued in June 2025 as disclosed in Note 17.

29.2 Remuneration of key management personnel

The members of key management personnel during the year follow:

2025

Brian Fraser	Nemani Batau
Elias Bade	Abdul Ifran Haiyum
Nisaal Chandra Jai	Deborah Poya
John Hill	Kuldip Singh
Stanley Stevens	Chethiya Vidanaarachchi (joined 18 October 2025 & exit 06 February 2026)

2024

Brian Fraser	Nemani Batau
Elias Bade	Abdul Ifran Haiyum
Nisaal Chandra Jai	Deborah Poya
John Hill	Bryan Rigby
Stanley Stevens	

The aggregate compensation made to above key management personnel of the Group is set out below:

	2025 K'000	2024 K'000
Short-term benefits	6,581	5,332

The remuneration of key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. Commitments

Significant contracted expenditure at the end of the reporting period but not recognised as liabilities is as follows:

	2025 K'000	2024 K'000
1 to 2 years	298,668	229,616
3 to 4 years	-	-
5 years & longer	-	-

During 2025, the Group signed sale and purchase agreements for three (3) aircraft. Furthermore, group entered into letters of intent for the remaining three (3) aircraft and as disclosed in Note 31, on 22 January 2026, a sale and purchase agreement was executed between the Group and the supplier.

The acquisition of the ATR 42-600 aircraft forms part of the Group's fleet modernisation program to replace its Dash 8 fleet and support future growth.

FINANCIAL STATEMENTS

Notes to the consolidated financial statements For the year ended 31 December 2025

31. Events after the reporting period

The following material items or matters or circumstances have arisen since the end of the financial year and the date of this approval of the consolidated financial statements:

Escalation of geopolitical tensions in Middle East

Subsequent to the reporting date, geopolitical tensions in the Middle East escalated, including hostilities involving Iran, which have contributed to increased volatility in global energy markets. In particular, there has been an observable increase in crude oil and fuel prices, driven by heightened uncertainty regarding energy supply routes and regional stability.

Appointment of New Director

On 16 February 2026, Mr. Gheno Minia was appointed as a Director of PNG Air Limited.

Dash-8 Disposal Process

Subsequent to 31 December 2025, the Group continued negotiations for the sale of its Dash-8 aircraft and associated components, which were classified as assets held for sale at 31 December 2025 with a carrying amount of K29.1 million. As at the date of approval of these financial statements:

- Negotiations with prospective buyers remain ongoing;
- A binding sale agreement for one aircraft engine has been executed; and
- The Board remains committed to completing disposal by 31 May 2026.

Fleet Expansion

Subsequent to year-end, the Group took delivery of one additional ATR aircraft in February 2026 under previously executed lease agreements as part of its fleet renewal program.

On 22 January 2026, a sale and purchase agreement was executed between the Group and the supplier for purchase of three (3) ATR aircraft, bringing the number of additional ATR aircraft that will be added to the Group's fleet to six (6). Aircraft are expected to arrive between April and September 2026.

32. Approval of financial statements

The financial statements were approved by the directors and authorized for issue on 31 March 2026.

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report to the Shareholders of PNG Air Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PNG Air Limited (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements of the Group and the Company, give a true and fair view of the Group's and the Company's financial position as at 31 December 2025 and of their financial performance and their cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of *the Companies Act 1997 (amended 2022)*.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Papua New Guinea, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3.2 in the financial statements, which indicates that for the year ended 31 December 2025, the Group and the Company reported a net loss of K9.9 million and K9.9 million respectively. As at 31 December 2025 the Group and the Company have an excess of current liabilities over current assets of K114.6 million and K112.6 million, respectively and the Group and the Company were in a net liability position of K12.9 million and K14.2 million respectively. These conditions, along with other matters as set forth in Note 3.2, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Accounting for aircraft held under lease agreements During the year, the Group entered into a number of new aircraft lease agreements. These agreements include significant return conditions that require the aircraft to be returned in a specified condition. The accounting for aircraft leases requires the Group to make a number of judgements and estimates, including: • Determining the lease term, including the assessment of extension and termination options; • Determining the appropriate incremental borrowing rate to be applied in the measurement of right-of-use assets and lease liabilities upon initial recognition; and • Estimating obligations arising from lease return conditions (e.g. maintenance, restoration and redelivery requirements). Estimating the provision and/or asset component associated with these obligations involves judgement, particularly in forecasting utilisation levels, maintenance cost assumptions, timing of cash outflows, and discount rates. Changes in these assumptions can have a material impact on the recognised right-of-use assets and provisions. We have identified the accounting for aircraft leases as a key audit matter because of the significance of lease-related balances to the consolidated financial statements.	Our audit procedures in relation to the recognition and measurement of new aircraft leases, including return conditions, included, among others: • Obtaining an understanding of the Group's processes for identifying and accounting for new aircraft lease arrangements and associated return condition obligations; • Inspecting a sample of lease agreements to assess whether key terms (including lease payments, lease term, renewal and termination options, and return conditions) were appropriately reflected in the accounting treatment and calculations; • Evaluating the judgements applied by management regarding the lease term, including the probability of exercising renewal options. • Assessing the reasonableness of the incremental borrowing rates applied and, where relevant, involving our valuation specialists; • Evaluating management's methodology for estimating lease return condition obligations, including assessing the reasonableness of key assumptions relating to expected aircraft utilisation, maintenance cycles, cost escalation and timing of redelivery; • Evaluating the adequacy of the related financial statement disclosures, including those relating to significant judgements and estimation uncertainty.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and the Directors' Statement for the year ended 31 December 2025, which we obtained prior to the date of this auditor's report, and the Group and Company's annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 that we 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

INDEPENDENT AUDITOR'S REPORT



Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and *the Companies Act 1997 (amended 2022)* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view of the financial position and performance of the Group and the Company and are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the ability of the Group and the Company to continue as going concerns, 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 and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 International Standards on Auditing 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 these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with section 200 of the *Companies Act 1997(amended 2022)*, in our opinion:

- We obtained all information and explanations that were required; and
- Proper accounting records have been kept by the Group and the Company for the year ended 31 December 2025.

We also provided PNG Air Limited and its subsidiaries with tax compliance services.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Timur Zhumazhan".

Timur Zhumazhan

Partner

Registered under the Accountants Act 1996

Port Moresby, 31 March 2026

CORPORATE DIRECTORY

The following information provided and the circumstances prevailing at the date of publishing this report are as follows:

PNG Air Limited

Incorporated in Papua New Guinea

Directors

Augustine Mano

Edward Matane

Watt Kiddie

Simon Woolcott

Valentina Kaman

Gheno Minia (appointed on 16 February 2026)

Company Secretary

Deborah Poya

Registered Office, address for service and principal administrative office

Part Portion 97 Milinch Granville

Jackson's International Airport

Seven Mile NCD

Papua New Guinea

Principal place of business

Jackson's International Airport Port Moresby

Papua New Guinea

Postal address

PO Box 170

Boroko NCD 111 Papua New Guinea

Subsidiaries

Galatoire Ltd

PNG Ground Services Ltd

APNG Services Pty Ltd

Auditors

Deloitte Touche Tohmatsu

Level 9, Deloitte Haus MacGregor Street

PO Box 1275

Port Moresby NCD 121 Papua New Guinea

Registry

PNG Registries Limited

Level 2, AON House McGregor Street

PO Box 1265

Port Moresby, NCD Papua New Guinea

Telephone: 321 6377

Stock Exchanges

The company maintains a listing only on PNGX Market

SHAREHOLDERS INFORMATION

Distribution of Shareholders

a. The distribution of ordinary shares ranked to size as at 31 December 2025 is as follows:

Range PGK	Shareholders	Shares	% Issued Capital
1-1000	112	93,832	0.001%
1,001-5,000	1,777	4,451,659	0.05%
5,001-10,000	318	2,956,724	0.03%
10,001-100, 000	332	9,942,439	0.10%
100, 0001 and Over	57	9,760,390,894	99.82%
Total	2,596	9,777,835,548	100.00%

b. The twenty largest Shareholders representing 99.59% of the ordinary shares as at 31 December 2025 were as follows:

	Shareholder	Number of shares	% of issued capital
1	Mineral Resources Development Company Ltd	1,557,425,861	15.93%
2	GAS Resources Pipeline Ltd	1,423,487,544	14.56%
3	National Superannuation Fund Limited	1,305,039,146	13.35%
4	Mineral Resources CMCA Holdings Ltd	1,186,239,620	12.13%
5	Mineral Resources OK TEDI No 2 Limited	1,028,658,363	10.52%
6	Mineral Resources Star Mountains Ltd	1,012,158,362	10.35%
7	PACIFIC BALANCED FUND	1,000,000,000	10.23%
8	PETROLEUM RESOURCES GOBE LTD	711,743,772	7.28%
9	INSPAC (PNG) LIMITED	150,000,000	1.53%
10	TISA INVESTMENTS LIMITED	57,000,000	0.58%
11	HUAXI LIN	50,000,000	0.51%
12	DAVID KAIANKIM	50,000,000	0.51%
13	XIAOLIANG LIN	50,000,000	0.51%
14	KOJIBA CATERING LIMITED	35,000,000	0.36%
15	NIMARMAR CAPITAL LIMITED	25,000,000	0.26%
16	SATORI INVESTMENT LIMIED	21,250,000	0.22%
17	JOHN RALSTON WILD (DECEASED)	15,750,000	0.16%
18	Gobe Business Development Company Limited	12,600,000	0.13%
19	MALAVU REAL ESTATE LIMITED	12,500,000	0.13%
	GAMISA HIRE CARS LIMITED	12,500,000	0.13%
	SYLVIA PASCOE	12,500,000	0.13%
20	PAUL MCLAREN	8,987,100	0.09%
	Total	9,737,839,768	99.59%

Issued capital as at 31 December 2025 was 9,777,835,548 ordinary fully paid shares

OTHER INFORMATION

Directors' Interests

Director	Direct / Indirect	Shares Held	%
Mr. Mano, Mr. Woolcott and Ms. Kaman (Mineral Resources Development Company Ltd)	Indirect	1,557,425,861	15.93%
Mr. Mano, Mr. Woolcott and Ms. Kaman (GAS Resources Pipeline Ltd)	Indirect	1,423,487,544	14.56%
Mr. Mano, Mr. Woolcott and Ms. Kaman (Mineral Resources CMCA Holdings Ltd)	Indirect	1,186,239,620	12.13%
Mr. Mano, Mr. Woolcott and Ms. Kaman (Mineral Resources OK TEDI No 2 Ltd)	Indirect	1,028,658,363	10.52%
Mr. Mano, Mr. Woolcott and Ms. Kaman (Mineral Resources Star Mountains Ltd)	Indirect	1,012,158,362	10.35%
Mr. Minia (Pacific Balanced Fund)	Indirect	1,000,000,000	10.23%
Mr. Mano, Mr. Woolcott and Ms. Kaman (Petroleum Resources Gobe Ltd)	Indirect	711,743,772	7.28%

Indirect Directors' interests represent the interests held through the organisations or entities that the Directors are appointed to represent.

Other Information

The Company has no restricted securities on issue.

The Company has only one class of equity securities on issue, being fully paid ordinary shares quoted on PNGX. The Company has no unquoted equity securities on issue.

The Company has no listed debt securities on issue. The voting rights attaching to each quoted ordinary share in the Company are set out in full in the Constitution. In summary, this includes one vote on each resolution at a general or extraordinary meeting of shareholders. It includes the right to participate equally with each other ordinary shareholders in any distributions or dividends by the Company. There are restrictions on the extent of foreign ownership permitted in the Company and the Company retains the power under its Constitution to require the disposal of any shareholding that breaches these foreign-ownership limits. The Company must remain more than 50% PNG owned to ensure PNG Air retains Papua New Guinea nationality for the purposes of the various bilateral air service agreements.



THE PEOPLE'S CHOICE.