CEO ADDRESS – PNG Air Annual Meeting

Brian Fraser, Chief Executive Officer
Port Moresby | 04 June 2026

Chairman of the Board, Directors, Shareholders, Employees, Partners, and Esteemed Stakeholders,

Good morning.

Before beginning the formal address I wish to bring Shareholders attention to minor anomalies within the Auditors Annual Report.

It has been noted that the Auditor's Report included in the 2025 Annual Report (pages 69–72) contains minor printing errors. The following corrections should be noted:

a. **Material Uncertainty Related to Going Concern**

The amounts disclosed under the "Material Uncertainty Related to Going Concern" section incorrectly refer to the 2024 financial year rather than 2025. The paragraph should read as follows:

"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 had 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."

b. **Key Audit Matter**

The Key Audit Matter heading and related notes was incorrectly printed as **"Valuation of the Group's Owned Aircrafts."** The correct Key Audit Matter and related note should be: **"Accounting for Aircraft Held Under Lease Agreements."**

c. **Audit Partner Signature Date**

The Audit Partner's signature date was incorrectly printed as **14 November 2025**. The correct signature date should be: **31 March 2026.**

These errors are administrative and printing-related in nature and do not affect the audit opinion expressed by the independent auditor or the underlying audited financial statements.

The update financials has been released on PNGX market.

Good Morning again and I will now proceed with the formal address.

The 2025 financial year represents a defining chapter in PNG Air's transformation—one where the airline moved decisively from restructuring toward recovery, and from survival toward sustainable growth.

Over the past several years, PNG Air has faced unprecedented challenges. From the global disruption of COVID-19 to domestic operational pressures and financial restructuring, the journey has required discipline, resilience, and unwavering commitment from our people and stakeholders. Today, I am pleased to report that the foundations laid during this period are now translating into measurable operational, cultural and financial progress.

Operational and Financial Performance Summation

In 2025, PNG Air delivered a significantly improved financial outcome:

- **Revenue increased** 28.6% (from PGK 253.9m) to **PGK 326.5 million evidencing market recovery.**
- **Pre-tax loss** improved by 53.4% (from PGK 26.2m loss in 2024) to **PGK 12.2 million** in 2025.
- **Net loss** improved by 51% to **PGK 9.9 million in 2025**, (reduced from PGK 20.2m) an impressive turnaround.
- Cash balances strengthened to **PGK 27.3 million** supporting fleet transition.

This performance reflects a combination of strong charter demand, improving operational reliability, and the early benefits of our fleet transition strategy.

Importantly, the business has maintained positive operating cash flow, demonstrating that elements of the strategic plan is working by delivering stability and most importantly forward momentum toward sustainable profitability.

Dash Impairment On Operational and Financial Performance

A key factor influencing the 2025 reported result was the non-cash impairment and net realisable value (NRV) adjustment relating to the Dash-8 fleet and associated spare parts. The impairment totaling **PGK9.7 million** manifested following the Board's decision to fully exit the Dash-8 platform.

This accounting adjustment reflects:

- The strategic shift toward an all-ATR fleet
- Active marketing and disposal of Dash-8 aircraft and rotables
- Alignment of carrying values to expected recovery values in the current market

Shareholders need to bear in mind that this is a non-operational and non-cash adjustment.

Excluding the impact of this impairment:

- PNG Air would have delivered a **small** positive underlying operating result in **2025 of PGK 0.1 million.**
- On a normalized basis the result reaffirms that the airline is demonstrating clear operational profitability.
- Cash generation remains strong and supportive of ongoing operations

It is essential that we recognize that while statutory results reflect necessary accounting adjustments during fleet transition, the underlying business has stabilised and is now moving into a recovery and growth phase.

Executing Our Transformation Strategy

At the start of 2025, we embarked on a clear three-year strategic plan. I am pleased to report strong execution against the five (5) elements that constituted the core of our transformational strategy.

Element 1. Fleet Modernisation and Simplification

The transition from Dash-8 aircraft to a modern ATR 600 series fleet remains the cornerstone of our strategy.

During the 2025 year:

- We delivered three ATR aircraft, with additional aircraft scheduled for delivery early 2026.
- As at reporting date, four additional 72 series aircraft have been inducted and are operational bringing the fleet total to 10.
- In recent weeks we have also received delivery of two (2) ATR 42-600 aircraft, a third arrives this week and three more are to be delivered by September this year. Bringing the total ATR fleet to 16 aircraft.
- The Dash-8 fleet is being progressively retired and actively marketed for sale.

This transition is critical. A simplified ATR fleet will:

- Improve reliability and on-time performance

- Deliver fuel efficiencies
- Reduce maintenance complexity and cost through synergistic alignment
- Enhance customer experience in offering a modern aircraft with noise reduction acoustics, premium seating and a wider cabin all features deliberately targeting passenger comfort.
- Provide a scalable universal aircraft that customers trust
- Reduce operational risk
- Fleet renewal will provide a young scalable aircraft platform poised for growth.

Element 2. Restoring Capacity and Strengthening the Network

Limited aircraft availability in recent years constrained our ability to serve the domestic market effectively.

With additional aircraft entering the fleet:

- We are progressively restoring scheduled passenger capacity to Ports that were previously underserviced; such as Popondetta, Gurney, Kieta and Kavieng. Increased frequency is delivering choice to both communities and business’s.
- Fleet expansion has also afforded the opportunity to reinstate and rebuild services to regional and remote communities such as Vanimo and soon Moro.

PNG Air plays a vital role in connecting Papua New Guinea. Restoring this connectivity remains central to our purpose.

Element 3. Expanding Charter Operations

Charter operations continue to provide **stable and high-quality revenue streams**, particularly within the resource sector.

In 2025:

- We strengthened relationships with key clients
- Maintained strong performance under long-term contracts
- Positioned the business to secure additional ad-hoc charter opportunities

This segment remains a strategic pillar, providing resilience against volatility in the scheduled passenger market.

Element 4. Operational Performance and Reliability

Operational performance has improved materially over the past two years.

We have:

- Strengthened and matured engineering, maintenance, and scheduling processes and systems
- Driven data analysis so that we can now anticipate consumable and component usage through aircraft reliability trends which in turn triggers order alerts for critical consumable and spare stocks
- Layered the recruitment, on boarding and assessment processes, right across the business with particular focus on professional planners and technicians, engineers, pilots and cabin crew. This has ensured measureable transparency, as we drive to employ skilled capable people.

These foundational pillars allowed us to deliver “game changing” results for our customers, we are restoring confidence in the airline as a safe reliable service provider.

- In 2025 we improved **on-time performance significantly**, we achieved 80% against our target of 88%. While we delivered short on the metric, the year end result placed our business in rarified air, surpassing many regional and international carriers.
- Reduced cancellation rates in 2025 was also key to restoring customer confidence with levels less than 5%
- At this time PNG Air’s Year To Date Performance now surpasses major international and regional carriers with an OTP rate of 87% and a cancellation rate of 3.3%.

These improvements are not incidental—they are the result of:

- Focused investment in systems and processes
- Enhanced safety and quality frameworks
- Stronger operational discipline across the organisation

Our objective is clear: **to be the most reliable airline in Papua New Guinea.**

Element 5. Investing in Our People

Transformation is not possible without our people.

In 2025:

- Our training capability expanded, supporting local workforce development

- We continued to build internal capability across operations, engineering, and support functions
- A renewed focus on culture, accountability, and performance is taking hold delivering disciplined and focused effort which in turn is driving efficiencies.
- We continue to maintain training at the core of our evolutionary change. In 2025 we trained 2773 people a ratio of 4.6 times and YTD in 2026 our numbers are 1007.
- Introduced LTE programs designed to ultimately transfer skills from international subject matter experts to Papua New Guinean's.

Our people remain the backbone of PNG Air's recovery.

Strengthening the Financial Position

The successful completion of the **PGK 29.8 million capital raising** during the year was a critical milestone.

This:

- Strengthened liquidity
- Supported fleet acquisition and transition
- Reinforced investor confidence in PNG Air's strategy

In addition:

- Total assets increased to PGK 640.3 million, reflecting fleet investment
- Net liabilities reduced significantly, demonstrating improved balance sheet stability

While we are not yet at positive equity, the trajectory is undeniably positive.

2026: A Pivotal Year Ahead

The year ahead represents a critical inflection point.

Our priorities are clear:

- Complete ATR fleet induction and achieve a fully modernised fleet
- Exit the Dash-8 platform, eliminating legacy cost structures
- Restore full network capacity and rebuild market share
- Expand long-term charter contracts to provide a quality and stable revenue stream
- Continue to drive cost discipline and operational efficiency
- Deliver sustainable profitability

With additional aircraft arriving throughout 2026, we expect:

- Improved aircraft utilisation
- Higher schedule reliability
- Increased revenue capacity
- Lower unit costs over time

Outlook and Confidence

PNG Air today is fundamentally different from the business it was just a few years ago.

We are:

- Operationally stronger
- Financially more stable
- Culturally aligned to our Vision and Mission
- Strategically clearer
- Better positioned for long-term growth

Challenges remain, particularly in fuel costs, foreign exchange exposure, and operating environment, that said but we are better equipped than ever to manage them.

Trajectory: Clear path toward sustainable profitability, supported by liquidity, a modern fleet and a committed well trained and engaged work force.

Acknowledgement

I would like to extend my sincere appreciation to:

- Our employees, whose resilience and dedication continue to drive this transformation
- Our shareholders and investors, for their ongoing confidence and support
- I also extend once again heartfelt thanks for the support of new investors both institutional and sophisticated
- Our creditors and partners, for their cooperation throughout the restructuring and recovery
- The Board, for their leadership and strategic guidance

Closing

PNG Air is rebuilding with purpose, discipline, and momentum.

We are reconnecting communities, supporting industries, and restoring confidence in our airline.

Most importantly, we are laying the foundation for a future where PNG Air is:

- Safe
- Reliable
- Financially sustainable
- And proudly the airline of choice for Papua New Guinea

Together, we are not just recovering—we are air borne on a journey toward a strong vibrant and rewarding future for all stake holders.

Thank you.