



ANNOUNCEMENT

PNG Air Update on its Audited Financial Statements

i) 2019 Audits Update

The 2019 financial year audit is currently being carried out by Deloitte and management expects that audit to be finalised towards the end of Quarter 2 of 2022. The continuing challenges of COVID 19 and the realisation of key strategic deliverables are the main causes of the delay.

The COVID 19 pandemic and the emergence of new variants of the virus means that there continues to be a severe reduction in the level of business activity. The Board and management are in discussions with external parties to restructure debt and to strengthen PNG Air's liquidity position.

Like many other airlines, PNG Air has been stuck with fixed lease costs even though revenues have declined very substantially during the COVID 19 pandemic. We are currently negotiating an improvement in lease terms with our main aircraft lessor and this is key to our business continuity strategy going forward. Lease restructuring will enable PNG Air to finalise its strategic plan and close out the 2019 Audit.

The 2019 financials that were previously released by way of Appendix 4B to PNGX will change materially due to corrections that must be made for anomalies discovered in both the 2018 and 2019 financial accounts. This will have an effect on the opening balances for 2019 as will the change in the treatment of maintenance reserve provisioning as required by the new accounting standards.

There is also a significant accounting standard change in 2019 relating to leasing [IFRS 16] and the effects of this change are still being considered by PNG Air's auditors.

The BARCC committee, headed by the Deputy Chairman, is working closely with our Auditors and management to ensure that the 2019 audit is concluded as soon as possible.

ii) 2020 Audit

PNG Air will need to find new auditors to audit its 2020 financial statements as the current auditors, Deloitte, have reached the end of their maximum permitted term.

PNG Air's 2020 unaudited financial results will be released following completion of the 2019 audit. PNG Air will update shareholders concerning the lodgement of Appendix Form 4B.

PNG Air's management accounts show that in 2020 PNG Air made a significant loss before tax mainly due to the effects of COVID 19 as communicated in our update dated 18 May 2021.

iii) Government Assistance

PNG Air has had preliminary discussions with the National Government concerning the provision of general financial assistance to PNG Air during this very difficult Covid 19 impacted trading period. Those discussions are on-going and cover various forms of assistance.

While empathising with PNG Air's situation, the Government has not provided any financial assistance to PNG Air so far.

iv) Solvency

PNG Air continues to monitor its solvency on a regular basis.

The PNG Air board is aware of its responsibilities and potential liabilities under the Companies Act 1997 and takes this very seriously.

PNG Air intends to trade through its current difficulties and see the company prosper for the benefit of all stakeholders as and when the effects of COVID 19 and the general downturn in the PNG economy which have impacted the company so seriously are reversed.

v) Governance

PNG Air considers that it is observing an appropriate standard of corporate governance and appropriately looking after the interests of all its shareholders.

PNG Air does have a BARCC committee. The members of the committee are Watt Kiddie [Chairperson], Edward Matane and Andrew Ogil. The BARCC committee is working closely with the auditors to make sure the outstanding audits are completed promptly.

The delays in finalising PNG Air's 2019 and 2020 financial statements and the associated audits are temporary only.

Rather than rushing the finalization of those financial statements, PNG Air has taken the view that it is more important to make sure that those statements are accurate and that the necessary audit assurance is obtained before those financial statements are released to the market.

ENDS

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For further information, contact PNG Air Media Relations:

Email: media.relations@pngair.com.pg