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ASX RELEASE

REX BOARD HAS APPROVED PLANS FOR DOMESTIC OPERATIONS

Following the announcement to the ASX on 13 May 2020 of the Regional Express Group's intentions to explore the feasibility of commencing domestic operations in Australia, Regional Express (Rex) has been engaged in confidential exploratory discussions with various parties to assess the availability of funding for starting up domestic operations.

The Rex Board has now formed the view that Rex could successfully embark on domestic operations. Consequently, the Board has approved an initiative to raise a minimum of AUD\$30 Million, which the Board now believes will be all that is needed for the launch of limited domestic operations, through one or more of the following avenues: sale-and-lease-back arrangement, equity injection and convertible notes.

Discussions with interested parties including lessors and private equity funds have not been finalised and the Board will reconvene within three weeks to decide on the structure of the fund raising and the maximum amount that will be raised. Where necessary, the Board will seek shareholder approval for the fund raising.

Due to the strong interest shown by various external parties to participate in the fund raising, including lessors willing to provide AUD\$30 Million for 15 of Rex's fleet of 60 unencumbered Saab 340 aircraft, the Board has now formed the view that funding will be forthcoming for the minimum target sought. Consequently the Board has authorised management to commence preparations in earnest for the operation of an initial fleet of five to ten narrow-body jet aircraft to be based out of Sydney and/or Melbourne to service the golden triangle (Sydney-Melbourne-Brisbane). The Board has confirmed 1 March 2021 as the targeted start date for domestic operations, subject to fund availability and regulatory approval.

Rex has also confirmed the execution of a non-binding Memorandum of Understanding with Avions De Transport Regional (ATR), the world's largest manufacturer of turboprop aircraft, for a range of potential commercial co-operation that would complement Rex's domestic operations. The scope of the potential co-operation is attached in the Schedule.

Rex's Deputy Chairman, John Sharp, said, "Rex has the biggest regional network in Australia and we are the only carrier in Australia that has been able to successfully navigate the turmoil and shocks over the last two decades with uninterrupted operational profits since 2003."

"With Rex's expansive regional network of 60 destinations, existing infrastructure in all these capital city airports, superior efficiencies and unbeatable reliability, it will simply be an incremental extension for Rex to embark on domestic operations especially since one out of every ten flights in Australia was already a Rex flight during the pre-COVID days. Leveraging on Rex's existing infrastructure and overheads, our cost base for the domestic operation is estimated to be at least 35% below Virgin's Australia's (pre-COVID) with 50% lower additional headcount needed proportionately."



“Rex’s domestic operations will be priced at affordable levels but will also include baggage allowance, meals on board and pre-assigned seating. Booking channels will include both Rex direct and Global Distribution Systems (GDS). Lounge membership will be available for subscription. It will be a hybrid model that Rex has so successfully pioneered over the last two decades for its regional operations.”

This announcement is authorised by the Board of Directors, Regional Express Holdings Limited.

Regional Express (Rex) is Australia’s largest independent regional airline operating a fleet of 60 Saab 340 aircraft (pre-COVID) on some 1,500 weekly flights to 60 destinations throughout all states in Australia. In addition to the regional airline **Rex**, the **Rex Group** comprises wholly owned subsidiaries **Pel-Air Aviation** (air freight, aeromedical and charter operator) and the two pilot academies **Australian Airline Pilot Academy** in Wagga Wagga and Ballarat.

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APPENDIX

Memorandum of Understanding with Avions De Transport Regional

SCHEDULE 1 - Project

The Project resulting from this cooperation will address the following items:

- **SLB.** REX and ATR will work on Sale and Leaseback (SLB) opportunities for REX's SAAB 340 in order for REX to free the equity tied with its current fleet.
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- **Fleet.** ATR will support REX in studying optimized solutions for the eventual replacement and modernization of its current fleet by a fleet of state of the art ATR42 and ATR72 aircraft, which will deliver lower cost per seat and increased revenues and profits. In support of this, REX and ATR will to explore the opportunity to establish a Full Flight Simulator (FFS) in Sydney, Australia, at ATR's cost, for usage by REX crews and other third party operators.
- **ECA.** REX and ATR will explore optimized financing solutions for new ATR42/72 aircraft acquisition, such as the one offered by ATR's partner Export Credit Agencies, BPI France and SACE. The scheme offered by the ECA might include up to 18-months grace period on the principal repayment, which could provide REX with a great tool to minimize financial risk during a fleet transition period.
- **AAPA.** Considering the long-standing experience in flight crew ab-initio training developed by REX through their Australian Airline Pilot Academy ("AAPA"), ATR will work with REX and AAPA to promote AAPA ab-initio training solutions to ATR operators worldwide (in China and Vietnam specifically as AAPA holds approvals from both these nations).

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