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31 December 2023

HALF YEAR FINANCIAL REPORT

Regional Express Holdings Limited
ACN 099547270 (ASX CODE: REX)



REGIONAL EXPRESS HOLDINGS LIMITED

ACN 099 547 270 (ASX Code: REX)

Appendix 4D: Results for Announcement to the Market & Half-Year Financial
Report for the Half-Year Ended 31 December 2023

ASX APPENDIX 4D

Results for announcement to the market

	31 Dec 2023 \$M	31 Dec 2022 \$M	Change \$M	Change %
Revenue excluding government grants and subsidies	353.4	337.9	15.5	4.6
Loss from ordinary activities, government grants and subsidies, after tax attributable to members	0.0	(14.0)	14.0	100.0
Share of results and amortisation of fair value uplift - attributable to investment in National Jet Express (50% holding)	(3.2)	(2.5)	(0.7)	(28.0)
Net loss for the period attributable to members	(3.2)	(16.5)	13.3	80.6

No dividends were paid during the half-year period ended 31 December 2023.

	31 Dec 2023 \$	31 Dec 2022 \$	Change %
Net tangible assets per ordinary share	1.36	1.17	16.2

This report is based on the condensed consolidated financial statements which have been reviewed by BDO Audit Pty Ltd. The review report is included in the attached half year financial report.

Explanation of results

The first half of Financial Year 2024 (1H FY24) saw Regional Express Holdings Limited ('Rex') achieve 4.6% growth in revenue and a modest 0.4% growth in passenger numbers.

Rex ended the reporting period with a \$3.2M loss attributable to members. This included a \$2.7M amortisation of the fair value uplift in its investment in National Jet Express recognised in FY 2023 as well as a \$20.7M fair value gain on revaluation of warrants and convertible notes.

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DIRECTORS' REPORT

The directors of Regional Express Holdings Limited ('Rex') submit herewith the financial report for the half-year ended 31 December 2023. The names and details of the Company's directors in office during the half-year and until the date of this report are as below:

Name	Title
Lim Kim Hai	Executive Chairman
The Hon. John Sharp AM	Deputy Chairman and Independent Director
Neville Howell	Chief Operating Officer and Executive Director
Chris Hine	Executive Director (retired 15 December 2023)
James Davis	Independent Director
Lee Thian Soo	Non-Executive Director
Prof Ron Bartsch AM	Independent Director
Lincoln Pan	Non-Executive Director
Sid Khotkar	Non-Executive Director

Review of Operations

Summary Review

For the first half of Financial Year 2024 (1H FY24), passenger volume increased marginally by 0.4% compared to the previous reporting period. Network capacity saw an 13.7% increase in Available Seat Kilometres (ASKs). Passenger Revenue per ASK increased 8.2%.

Load factor dropped by 3.7% points for the period.

The half-year reporting period represents the first full reporting period following the exit of Sydney/Ballina and Adelaide/Whyalla routes; and the introduction of new Melbourne/Devonport and Adelaide/Sydney flights.

In response to the challenges associated with pilot shortage and dislocated supply chains impacting the regional network, Rex maintained regional network schedule reductions and the suspension of the Mildura/Adelaide route. Rex was forced to implement further strategic adjustments to the regional network, including the exit of the Cairns/Bamaga route and suspension of the Sydney-Armidale route.

During 1H FY24, Rex commenced domestic routes utilising Boeing 737-800NG aircraft on the Melbourne-Hobart route (commenced 17 August 2023), Adelaide-Brisbane route (from 30 October 2023); and Brisbane-Cairns flights operated by National Jet Express from 22 November 2023.

Key Performance Indicators Table

	1H FY 2024	1H FY 2023	Change
Passengers	1,456,802	1,450,421	0.4%
ASKs (M)	1,383.3	1,216.5	13.7%
Load Factor	73.6%	77.3%	-3.7ppt

Route Network Developments

The first half of FY2024 (FY24) represented the first full reporting period in which Rex did not operate services on the Sydney/Ballina and Adelaide/Whyalla routes. Services between Mildura/Adelaide also remained suspended during the period under review. This report also includes the first reporting period where Rex operated new services between Melbourne/Devonport and Adelaide/Sydney.

Rex commenced Adelaide/Sydney daily services with a Boeing 737-800NG aircraft from 29 June 2023, resulting in passengers having more choice and the increased competition leading to lower prices. The new Adelaide to Sydney route not only strengthened travel options between Adelaide and Sydney but also facilitated seamless connections between regional New South Wales (NSW) and Adelaide, as well as between regional South Australia (SA) and Sydney. The new Adelaide to Sydney service also complements Rex's twice daily jet service between Adelaide and Melbourne, demonstrating Rex's continued commitment to South Australia.

On 15 August 2023, Rex announced that it had been re-awarded three regulated routes in Western Australia (WA) through a competitive tender process.

The three regulated routes are:

- Perth - Albany;
- Perth - Esperance; and
- Perth - Carnarvon - Monkey Mia.

This marked the fifth time Rex has secured the right to operate state-regulated routes, having won every tender bid it has made for such routes in Australia since 2010.

Under a Deed of Agreement, the new contracts commenced on 2 October 2023 effective until 2 July 2028, and includes a 38% increase in seats for the Perth-Carnarvon/Monkey Mia route, a 22% increase for the Perth-Esperance route, and a 4% increase in seats for the Perth-Albany, compared to the previous Deed.



Adelaide Airport Managing Director Brenton Cox and Rex Deputy Chairman, Hon John Sharp AM, celebrate the inaugural ADL-SYD flight

DIRECTORS' REPORT

On the Perth-Carnarvon route Rex implemented 76 seat De Havilland Dash 8-400NG (Dash 8-400NG) aircraft operated by joint venture, National Jet Express (NJE), to operate three return services per week to complement the Saab 340 operations. This was a significant milestone for the Rex Group as it opened a new chapter of Rex utilising the resources of NJE to operate Rex Regular Public Transport (RPT) services, and maximising synergies for improved efficiency between the airlines.

On 17 August 2023, Hobart became the sixth capital city on Rex's expanding domestic network with the inaugural flight from Melbourne touching down. The daily service operated by Boeing 737-800NG (Boeing 737), connected the Apple Isle to the mainland with an additional 124,000 seats a year. Rex launched the service with Economy fares starting from \$79 and Business Class seats from \$349, which were eagerly snapped up by customers looking for an alternative to the sky-high prices and unreliable services being offered by other airlines. Hobart was Rex's fourth Tasmanian's destination, as the airline already operates flights to Devonport, Burnie and King Island.

Rex scheduled additional flights on the Melbourne/Hobart route across the festive period between 18 December 2023 and 21 January 2024 to cater for the surging demand from holidaymakers.

Due to relentless poaching of Rex's pilot group by other airline carriers, on 22 September 2023, Rex announced that the airline was forced to make further reductions to its regional network. (Note: this followed service reductions on seven regional routes announced on 21 April 2023, and the suspension of flights between Adelaide and Mildura, which were maintained during this reporting period.)

Effective from 30 October 2023, regional routes, Sydney-Albury, Sydney-Coffs Harbour, Sydney-Griffith, Sydney-Narrandera, Sydney-Orange, Sydney-Parkes, and Sydney-Port Macquarie, all serviced by Rex's fleet of Saab 340 turboprop aircraft, were impacted by schedule frequency reductions until at least 30 March 2024. The Sydney-Armidale route which was temporarily suspended until such time that the pilot shortage and supply chain disruptions improve.

Rex also exited from the Cairns-Bamaga route in Far North Queensland.

Rex began daily direct flights between Adelaide and Brisbane on 30 October 2023, with launch fares from \$149 one way. This was Rex's third new route within the first half of FY24, and extended Rex's domestic footprint to three key domestic destinations from Adelaide: Melbourne, Sydney, and Brisbane; and three major domestic markets from Brisbane, being Sydney, Melbourne, and Adelaide. An additional 124,000 seats a year operated by Rex's Boeing 737 aircraft were introduced onto the route.

On 22 November 2023, Rex launched a new RPT service between Brisbane and Cairns with services operated by NJE's Dash 8-400NG. This is a further example, similar to the Perth-Carnarvon route, of NJE's growing support of the Rex network.

Fleet Changes

In July 2023, Rex signed leases for two Boeing 737s. The aircraft subsequently arrived on 28 July 2023, Rex's eighth Boeing 737 bearing registration VH-8KH. The ninth Boeing 737, VH-8JS arrived on 22 September 2023.

Rex's domestic jet fleet reached double figures on 13 December 2023 with the airline taking delivery of its tenth Boeing 737 after signing a Letter of Intent (LOI) to lease in October. The aircraft, VH-8ZL, arrived in Brisbane from Goodyear, Arizona, and entered service in time for the busy holiday season.

During the six months ended 31 December 2023, subsidiary Pel-Air Aviation advanced its preparations for a new Ambulance Victoria contract due to commence on 1 January 2024. The contract for the provision of fixed-wing air ambulance services includes two new Beechcraft King Air 260 and two Beechcraft King Air 360 aircraft, which continued modification and fit-out. Pel-Air, the incumbent operator, was re-awarded the 12-year tender in February 2022.

In addition, Pel-Air conducted testing for the integration of two Pilatus PC24 jets under a fixed-wing air ambulance contract with New South Wales Ambulance. These two new jets will complement the existing five Beechcraft King Air 350C planes in the NSW Ambulance fleet.

In October 2023, NJE took delivery of its ninth De Havilland Dash 8-400NG 'Next Generation', fitted with 82 seats.



Tourism Tasmania Chief Executive Officer, Sarah Clark; Rex Deputy Chairman, the Hon John Sharp AM; Tasmanian Premier and Minister for Tourism, the Hon Jeremy Rockliff MP; and Hobart Airport Chief Executive Officer, Norris Carter at the launch of services between Hobart and Melbourne.



VH-8KH, the airline's eighth Boeing 737 arrived in Brisbane on 28 July 2023.



NJE's ninth Dash 8-400NG arrived in October 2023.

DIRECTORS' REPORT



Rex Chief Operating Officer, Neville Howell (right) accepts Australian Aviation's Award for Airline of the Year, presented by Joseph Pilo, Chief Executive Officer, Sydney Flight College.

Community, Environment and Service Standards

Rex Airlines' Community Fare Scheme, in partnership with selected regional council-operated airports plays a crucial role in connecting communities and fostering regional development through discounted airfares.

In the first half of FY24 alone, over 77,000 passengers took advantage of the Community Fare Scheme.

Rex maintained its position as the most reliable regional airline in 1HFY24 in the reliability index.

Bureau of Infrastructure Transport and Regional Economics (BITRE) results for this reporting period confirmed 76.7% of Rex Group (both regional and domestic) flights departed on-time; compared to 70.3% for the Qantas Group (Qantas, QantasLink and Jetstar); and 62.8% for the Virgin Group (Virgin Australia and Virgin Australia Regional Airlines).

Meanwhile, the Rex Group cancelled just 1.7% of flights, compared to Qantas Group's 3.7%; and Virgin Australia Group's 5.4% of flights cancelled.

Rex's reliability and punctuality in the face of the aviation industry's continued challenging operating environment is a true testament to Rex's customer focus, operational efficiency and its dedicated staff.

Particularly as the public discussion began to gain traction during this reporting period regarding other airline carriers hoarding slot out of Sydney Airport, meaning that they will cancel flights last minute that they never intended to operate, causing inconvenience and distress to countless passengers.

In August 2023, Rex was named Airline of the Year at the prestigious Australian Aviation Awards for 2023 organised in partnership with the University of NSW. This is the second consecutive year that the airline clinched the Airline of the Year award.

Rex also won the Safety Innovator of the Year category.

Rex's flying school, the Australian Airline Pilot Academy was awarded Flight Training Business of the Year.

On 2 October 2023, Rex unveiled its loyalty program for frequent flyers, Rex Flyer.

Rex customers immediately began to register to begin earning Rex Flyer points and status points across both Rex's domestic and regional networks and take advantage of a 5,000 bonus Rex Points and double points incentives.

Rex passengers can earn up to seven points for every dollar spent every time they fly and up to five points for each dollar spent on selected Rex Extras such as additional baggage and seat selection.



L-R Neville Howell, Chief Operating Officer with the Airline of the Year award; Chris Hine, Executive Chairman, Australian Airline Pilot Academy with the award for Flight Training Business of the Year; Anthony Gibara, GM of Human Factors with the award for Safety Innovator of the Year at the 2023 Australian Aviation Awards.

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DIRECTORS' REPORT

Three Tier Status levels – Sapphire, Emerald and Diamond - will be accorded to members who have accumulated the relevant number of status points and qualifying members will be able to enjoy the Tier Status benefits from early 2024.

Rex Flyer members were able to use points to redeem Rex Flights Rewards from mid-November 2023.

Rex released three flight reward options – Anytime, Getaway and Ultimate.

The Anytime redemption option allows members to redeem at last-seat-available basis and provides the highest flexibility of all frequent flyer programs available in Australia. A unique component of the Rex Flyer program will see all unsold seats available at the cheapest reward redemption rate (Ultimate) progressively from 48 hours before a scheduled departure.

Rex was awarded South Pacific's Best Cabin Service in the 2024 Airline Passenger Experience Association (APEX) Awards in November 2023.

The award ceremony was part of the FTE APEX Asia Expo, the air transport industry's largest passenger experience and business performance event.

Nearly one million flights were anonymously rated by passengers across more than 600 airlines from around the world using a five-star scale.

In accordance with the requirements of the *Workplace Gender Equality Act 2012 (Act)*, Regional Express Holdings Limited submits an annual public report with the Workplace Gender Equality Agency (Agency) every financial year. The Agency has certified Rex as being compliant with the Act for 2023.

Rex registered for the *National Greenhouse Energy Reporting Act 2007 (NGER)* programme in 2009 and has since submitted NGER reports since FY 2009. Rex submitted its 14th NGER report to the Clean Energy Regulator in October 2023.



Rex launched its loyalty program, Rex Flyer on 2 October 2023.



Rex Executive Chairman Lim Kim Hai accepts the award for Best Cabin Service in the South Pacific at the APEX Awards ceremony in Singapore.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 9 of the half-year report.

Rounding Off of Amounts

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the directors' report and financial statements, amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors

Handwritten signature of Neville Howell.

Neville Howell
Director

Sydney, 29 February 2024

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF REGIONAL EXPRESS HOLDINGS LIMITED

As lead auditor for the review of Regional Express Holdings Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Regional Express Holdings Limited and the entities it controlled during the period.

John Bresolin
Director

BDO Audit Pty Ltd
Sydney, 29 February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Regional Express Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Regional Express Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REVIEW REPORT



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'John Bresolin', is written over the printed name.

John Bresolin
Director

Sydney, 29 February 2024

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Half-year ended	
		31 Dec 2023 \$'000	31 Dec 2022 \$'000
Passenger revenue		311,438	292,913
Freight revenue		909	890
Charter revenue		33,357	36,292
Other passenger services and amenities		908	720
Other revenue		6,776	7,061
Revenue from contracts with customers		353,388	337,876
Government grants and subsidies		-	1,956
Total revenue, government grants and subsidies		353,388	339,832
Finance income		1,379	497
Other gains / (losses)	12	28,848	(25,677)
Flight and port operation costs		(85,222)	(76,382)
Fuel costs		(69,641)	(75,299)
Salaries and employee-related costs		(112,940)	(97,328)
Selling and marketing costs		(18,744)	(15,706)
Engineering and maintenance costs		(54,209)	(38,135)
General administration costs		(7,733)	(7,221)
Finance costs		(5,728)	(4,493)
Depreciation and amortisation		(27,457)	(26,530)
Imputed facility fee amortisation	11	(4,030)	(4,030)
Fair value gain on joint venture		-	14,732
Total costs and expenses		(385,704)	(330,392)
Loss before tax and share of results of joint venture		(2,089)	(15,740)
Tax benefit	14	2,082	1,752
Loss after tax and before share of results of joint venture		(7)	(13,988)
Share of results of joint venture	13	(3,226)	(2,507)
Earnings attributable to:			
Members of the parent		(3,233)	(16,495)
Loss after tax and share of results of joint venture		(3,233)	(16,495)
Earnings per share		cents per share	cents per share
Basic		(2.8)	(14.6)
Diluted		(2.8)	(14.6)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Half-year ended	
		31 Dec 2023 \$'000	31 Dec 2022 \$'000
Loss after tax and share of results of joint venture		(3,233)	(16,495)
Other comprehensive income / (loss)			
Revaluation of cash flow hedges		(3,346)	(3,791)
Revaluation of financial instruments	5	(550)	(1,613)
Income tax effect		1,005	1,137
Other comprehensive (loss), net of tax	8	(2,891)	(4,267)
Total comprehensive loss for the period		(6,124)	(20,762)

The accompanying notes form part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	Consolidated	
		31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current assets			
Cash and bank balances		54,584	49,252
Receivables		40,201	30,525
Inventories		24,913	24,730
Other financial assets		3,892	9,138
Total current assets		123,590	113,645
Non-current assets			
Receivables		11,828	9,646
Inventories		2,355	2,318
Investments - fair value through equity		9	9
Investments accounted for using the equity method	13	63,690	66,875
Deferred tax assets		34,598	31,443
Other financial assets		8,856	11,744
Property, plant and equipment			
Aircraft	3	229,539	233,268
Other property, plant and equipment		113,876	108,350
Right-of-use assets	4	148,005	74,500
Other intangible assets		815	875
Total non-current assets		613,571	539,028
Total assets		737,161	652,673
Current liabilities			
Payables		88,095	75,176
Unearned revenue		61,100	61,883
Interest bearing liabilities	5	18,119	12,136
Lease liabilities	5	22,464	16,398
Provisions		17,716	15,202
Other financial liabilities		-	757
Total current liabilities		207,494	181,552
Non-current liabilities			
Interest bearing liabilities	5	231,754	223,172
Lease liabilities	5	137,007	74,222
Provisions		3,064	3,100
Other financial liabilities		1,457	9,173
Total non-current liabilities		373,282	309,667
Total liabilities		580,776	491,219
Net assets		156,385	161,454
Equity			
Issued capital	7	77,028	75,619
Reserved shares	7	(156)	(457)
Retained earnings		63,790	67,022
Share-based payments reserve	8	2,122	2,778
Other reserves	8	13,601	16,492
Total equity		156,385	161,454

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Half-year ended	
		31 Dec 2023 \$'000	31 Dec 2022 \$'000
Receipts from customers		377,676	375,901
Proceeds from government grants and subsidies		-	1,038
Payments to suppliers, employees and others		(365,218)	(326,836)
Interest paid		(2,554)	(2,573)
Income tax received		-	11,196
Net cash flows from operating activities, government grants and subsidies		9,904	58,726
Interest received		1,379	497
Proceeds from disposal of property, plant and equipment		1	-
Payments for investment in joint venture business (net basis)	13	(41)	(11,985)
Payments for aircraft under construction		(4,268)	(77,282)
Payments for property, plant and equipment - aircraft and other		(15,160)	(12,183)
Payments for property, plant and equipment - software		(136)	(195)
Net cash flows used in investing activities		(18,225)	(101,148)
Shares purchased as reserve shares		(25)	-
Lease liabilities paid		(13,322)	(8,781)
Repayment of interest bearing liabilities - non-related parties	5	(4,587)	(15,449)
Proceeds from interest bearing liabilities - non-related parties	5	1,587	85,759
Proceeds from interest bearing liabilities - PAG	5	30,000	-
Net cash flows from financing activities		13,653	61,528
Net increase in cash held		5,332	19,106
Cash at the beginning of the period		49,252	42,224
Cash at the end of the period		54,584	61,330

The accompanying notes form part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Attributable to equity holders of the Company						
	Issued capital \$'000	Reserved shares \$'000	Retained earnings \$'000	Share-based payments reserve \$'000	Revaluation reserve \$'000	General reserve \$'000	Total equity \$'000
At 1 July 2022	73,689	(57)	52,660	3,206	21,061	1,590	152,149
Loss for the period	-	-	(16,495)	-	-	-	(16,495)
Other comprehensive loss, net of tax	-	-	-	-	(4,267)	-	(4,267)
Total comprehensive loss for the period	-	-	(16,495)	-	(4,267)	-	(20,762)
New shares issued	1,930	-	-	-	-	-	1,930
Transfers from new shares issued	-	(1,930)	-	-	-	-	(1,930)
Share gift issued - gift	-	1,530	-	(1,530)	-	-	-
Share gift plan provision	-	-	-	642	-	-	642
Performance rights provision	-	-	-	589	-	-	589
At 31 December 2022	75,619	(457)	36,165	2,907	16,794	1,590	132,618
At 1 July 2023	75,619	(457)	67,022	2,778	14,902	1,590	161,454
Loss for the period	-	-	(3,232)	-	-	-	(3,232)
Other comprehensive loss, net of tax	-	-	-	-	(2,891)	-	(2,891)
Total comprehensive loss for the period	-	-	(3,232)	-	(2,891)	-	(6,123)
New shares issued	1,408	-	-	-	-	-	1,408
Transfers from new shares issued	-	(1,408)	-	-	-	-	(1,408)
Shares purchased as reserve shares	-	(25)	-	-	-	-	(25)
Share gift issued - gift	-	1,734	-	(1,734)	-	-	-
Share gift plan provision	-	-	-	878	-	-	878
Performance rights provision	-	-	-	200	-	-	200
At 31 December 2023	77,027	(156)	63,790	2,122	12,011	1,590	156,385

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain noncurrent assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off the amounts in the financial statements, amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

The half-year consolidated financial statements have been prepared on a going concern basis.

In preparing half-year consolidated financial statements, the directors note that the Group is in a net current liability position. This is primarily due to the nature of the operations whereby certain payments are received in advance, resulting in \$61m of current deferred revenue as at 31 December 2023. The deferred revenue balance will not be required to be settled in cash outflows.

The Group expects positive cash flows in calendar year 2024 combining both domestic and regional regular public transport (RPT) operations and the charter business unit. Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

The directors have prepared and reviewed a cash flow forecast that shows that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2023 annual financial report for the financial year ended 30 June 2023. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

2. Segment Information

AASB 8 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 (CODM) in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Executive Chairman ('CODM') for the purposes of resource allocation and assessment of performance is more specifically focused on the category of customer for each type of service.

The Group's reportable segments under AASB 8 are as follows:

- Regular public transport
- Charter and other
- Training

The accounting policies of the reportable segments are the same as the Group's accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an analysis of the Group's revenue and results by reportable operating segment for the period under review:

	Revenue Half-year ended		Segment result Half-year ended	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Continuing operations				
Regular public transport	315,792	289,903	(25,109)	(2,708)
Charter and other	33,379	43,790	8,296	7,670
Training	4,217	4,183	(2,042)	(496)
	353,388	337,876	(18,855)	4,466
Government grants and subsidies	-	1,956	-	1,956
Finance income			1,379	497
Other gains / (losses)			28,848	(25,677)
Fair value gain on joint venture			-	14,732
Central administration costs			(7,733)	(7,221)
Finance costs			(5,728)	(4,493)
Loss before tax and share of results of joint venture			(2,089)	(15,740)
Tax benefit			2,082	1,752
Share of results of joint venture			(3,226)	(2,507)
Consolidated segment revenue and loss	353,388	339,832	(3,233)	(16,495)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales.

Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs.

The following is an analysis of the Group's assets and liabilities by reportable operating segment as at the end of period:

	Assets		Liabilities	
	31 Dec 2023 \$'000	30 Jun 2023 \$'000	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Continuing operations				
Regular public transport	364,913	393,354	285,218	234,511
Charter and other	357,659	244,426	263,128	226,343
Training	14,589	14,893	32,430	30,365
Total assets and liabilities	737,161	652,673	580,776	491,219

3. Aircraft

	Aircraft \$'000	Aircraft under construction \$'000	Total \$'000
At 1 July 2023	126,885	106,383	233,268
Additions	449	4,268	4,717
Reclassification	24,358	(24,358)	-
Depreciation	(8,446)	-	(8,446)
At 31 December 2023	143,246	86,293	229,539
At 1 July 2022	145,408	20,231	165,639
Additions	2,730	77,282	80,012
Depreciation	(10,150)	-	(10,150)
At 31 December 2022	137,988	97,513	235,501

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

During the half year period ended 31 December 2023, the Group paid \$4.3M for modification of six aircraft required for the NSW Air Ambulance and Victoria Air Ambulance operations. Upon completion of the modifications and commencement of operations, aircraft will be depreciated over the respective contract periods.

4. Right-of-use Assets and Lease Liabilities

The Group has leases varying from 3 to 40 years for aircraft, properties and other assets required for operations.

	Aircraft leases \$'000	Other leases \$'000	Total \$'000
At 1 July 2023	60,205	14,295	74,500
Additions	82,197	1,781	83,978
Depreciation	(9,246)	(1,227)	(10,473)
At 31 December 2023	133,156	14,849	148,005
At 1 July 2022	51,602	8,836	60,438
Additions	22,484	8,588	31,072
Depreciation	(6,304)	(1,224)	(7,528)
At 31 December 2022	67,782	16,200	83,982

Lease liabilities were recorded in accordance with AASB 16 Leases. During the period 3 new leases of Boeing 737-800NG aircraft were acquired.

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Current	22,464	16,398
Non-current	137,007	74,222
	159,471	90,620

	Half-year ended	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Amounts recognised in profit and loss		
Depreciation expense on right-of use assets	10,473	7,528
Interest expense on lease liabilities	3,174	1,970

5. Interest Bearing Liabilities

	31 Dec 2023		30 Jun 2023	
	Effective borrowing rate %	\$'000	Effective borrowing rate %	\$'000
Current				
Loan facility	6.16%	18,119	5.78%	12,136
Lease liabilities		22,464		16,398
		40,583		28,534
Non-current				
Loan facility	6.16%	138,309	5.78%	147,292
Convertible notes	4.00%	93,445	4.00%	75,880
Interest bearing liabilities		231,754		223,172
Lease liabilities		137,007		74,222
		368,761		297,394

Loan facility relates to the acquisition of a number of aircraft required for the NSW Air Ambulance and Victoria Air Ambulance operations. As the aircraft are constructed and delivered, this facility will be drawn down with total drawings of \$112,000 thousand for NSW Air Ambulance operations and \$63,400 thousand for Victoria Air Ambulance operations. Upon delivery of the aircrafts the facility is converted into an amortising facility, which is repayable over the life of the Air Ambulance contract. The facility is secured by the aircraft and a guarantee by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group's debt facilities include the following:

	31 Dec 2023		30 Jun 2023	
	Used \$'000	Limit \$'000	Used \$'000	Limit \$'000
Westpac	169,900	175,400	167,823	175,400
PAG	120,000	150,000	90,000	150,000

On 29 January 2021, the Group entered into an agreement with PAGAC Regulus Holding Pte Ltd ("PAG") to issue up to \$150 million first-ranking senior secured convertible notes to be used to support the launch of the Group's domestic major city jet operations. In addition to the notes, the Group has agreed to issue rights to warrants to PAG on the notes for an amount equal to the undrawn balance, three years from the first draw date of 15 March 2021.

In March 2021, PAG injected the initial tranche of \$50 million. Subsequently, the Group made \$70m additional drawings against the convertible notes. The convertible notes expire after five years (the Initial Term) and are subject to the below terms:

- The first draw date is 15 March 2021, with the final draw date being three years from this date.
- The loan entitles holders to 4% interest p.a. (payable quarterly in arrears)
- The conversion price is \$1.50 per share (subject to anti-dilution adjustments)
- Each share is a fully paid ordinary share in Rex
- Either PAG or Rex may elect to extend the convertible notes by one year by giving notice at least 20 business days prior to the end of the Initial Term. The following applies in relation to the payment of interest:
 - o If PAG extends, no interest is payable by Rex for the extended term
 - o If Rex extends, interest will continue to be payable at the existing rate (4% p.a.)
- If the Group has not utilised the entire commitment by the final draw date (three years from the first draw date), it shall issue warrants to PAG on the final draw date in an amount equal to the undrawn balance of the commitment

The Group has classified the convertible notes entirely as a financial liability and designated the whole instrument as at fair value through profit or loss. These convertible notes have been fair valued by independent valuation experts using a binomial model which forecasts Rex's share price movements to the expiry date of the right to warrants.

The fair value movement of the convertible notes is \$12,435 thousand, and reported as follows:

- A fair value decrease through profit or loss of \$12,985 thousand is attributed to the decrease in share price of the Group's shares, and
- A fair value increase through other comprehensive income of \$550 thousand is attributed to the change of the Group's credit profile.

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Opening balance	75,880	57,389
Proceeds from issue of convertible notes	30,000	15,000
Fair value changes through profit or loss	(12,985)	1,878
	92,895	74,267
Fair value changes through other comprehensive income	550	1,613
Closing balance	93,445	75,880

6. Dividends

The directors have recommended no dividends to be paid for the period under review (2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Issued Capital and Reserved Shares

	31 Dec 2023		30 Jun 2023	
	No. '000	\$'000	No. '000	\$'000
Fully paid ordinary shares				
Opening balance	112,606	75,619	111,117	73,689
New shares issued	1,635	1,408	1,429	1,930
Closing balance	114,241	77,027	112,606	75,619
Reserved shares	31	(156)	-	(457)

	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Reserved shares		
Opening balance	(457)	(57)
New shares issued	(1,408)	(1,930)
Shares purchased as reserved shares	(25)	-
Share gift issued	1,734	1,530
Closing balance	(156)	(457)

Reserved shares account represents shares owned by the Group, which are eventually granted to employees under the Employee Share Gift Scheme.

8. Share-Based Payments Reserve and other Reserves

	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Share-based payments reserve		
Opening balance	2,778	3,206
Share gift issued	(1,734)	(1,530)
Share gift plan provision	878	1,600
Performance rights provision	200	(498)
Closing balance	2,122	2,778
Revaluation reserve		
Opening balance	14,902	21,061
Revaluation of cash flow hedges, net of tax	(2,341)	(4,546)
Revaluation of financial instruments	(550)	(1,613)
Closing balance	12,011	14,902
General reserve		
Opening balance	1,590	1,590
Movement during the period	-	-
Closing balance	1,590	1,590
Total other reserves	13,601	16,492

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

9. Issuances, Repurchases and Repayments of Equity Securities

Under the Employee Share Gift Scheme, the Group issued 1,633 thousand (2022: 1,432 thousand) fully paid up shares, and gifted 1,633 thousand shares to employees (2022: 1,432 thousand).

The Group executed a publicly announced share buy-back programme. All shares purchased under the programme are cancelled. During the current reporting period, no shares were bought back.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Contingencies and Commitments

Capital Expenditure Commitments

There are \$5.5m off balance sheet commitments for the acquisition of property, plant and equipment as at 31 December 2023 (30 June 2023 \$5.6m).

11. Financial Instruments

The Group has entered into a facility agreement to acquire aircraft to operate the NSW Air Ambulance contract. This facility is not fully drawn as at 31 December 2023. To hedge against exposures to interest rate risk, the Group has entered into interest rate swap contracts with the financier to fix interest rates over the facility term.

The Group has also entered into a facility agreement to acquire aircraft to operate the Victoria Air Ambulance contract. This facility is not fully drawn as at 31 December 2023. To hedge against exposures to interest rate risk, the Group has entered into interest rate swap contracts with the financier to fix interest rates over the facility term.

The Group enters into foreign exchange contracts (FEC) to partially mitigate against fluctuations in foreign currency purchases. These derivatives (IRS and FEC) have been classified as cash flow hedges and the fair value at 31 December 2023 has been recognised in other comprehensive gains and losses.

Fair Value of Derivatives and Other Financial Instruments

The fair value of foreign exchange derivative contract is determined using a generally accepted pricing model based on discounted cash flow analysis using assumptions supported by observing market rates.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

Fair Value Hierarchy

In analysing the fair value of material financial instruments, the hierarchy level under which they belong determines the valuation method:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Fuel swap hedging contracts and foreign exchange derivative contracts are financial instruments that use valuation techniques with only observable market inputs and are included in Level 2. Future cash flows are estimated based on forward rates (from observable forward rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The convertible notes and rights to warrants have been valued based on observable market inputs as outlined in Note 5 and are also included in Level 2. These convertible notes represent a revaluation from 30 June 2023.

The Group does not have any material Level 1 or Level 3 financial instruments.

The following table represents material financial assets and liabilities that were measured and recognised at fair value:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31-Dec-23				
Financial assets carried at fair value				
Derivative asset – interest rate swap	-	12,105	-	12,105
Derivative asset – FECs	-	8	-	8
Financial liabilities carried at fair value				
Derivative liability – rights to warrants	-	1,457	-	1,457
Financial liability – convertible notes	-	93,445	-	93,445
30 –Jun- 2023				
Financial assets carried at fair value				
Derivative asset – interest rate swap	-	16,120	-	16,120
Derivative asset – FECs	-	97	-	97
Financial liabilities carried at fair value				
Derivative liability – jet fuel swap	-	757	-	757
Derivative liability – rights to warrants	-	9,173	-	9,173
Financial liability – convertible notes	-	75,880	-	75,880

Rights to Warrants

The convertible notes issued by the Group (refer to Note 5) are accompanied by rights to warrants which entitle PAGAC Regulus Holdings Pte Ltd (“PAG”) to notes on the undrawn convertible note loan balance. The rights to warrants and convertible notes are accounted for separately. The rights to warrants have been recognized as a derivative financial liability and are subsequently measured at fair value through profit or loss.

Movement of the fair values at the beginning and end of the current financial year is set out below:

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Opening balance	9,173	10,819
Fair value changes through profit or loss	(7,716)	(1,646)
Closing balance	1,457	9,173

Imputed Facility Fee

Rights to Warrants at inception date of 15 Mar 2021, was valued at the fair value of \$23,982 thousand, and resulted in a non-cash imputed facility fee of \$23,982 thousand. The fee is amortised over the term of the warrant provision of the convertible notes wherein if the entire commitment is not drawn by three years after the first draw date, the Group shall issue PAG with rights to warrants for the undrawn amount. \$4,030 thousand has been amortised during the period. Imputed facility fee is presented as other financial asset.

Movement of the imputed facility fee is set out below:

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Opening balance	4,665	12,659
Facility fee amortised through profit or loss	(4,030)	(7,994)
Closing balance	635	4,665
Current facility fee imputed	635	4,665
Non-current facility fee imputed	-	-
	635	4,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. Other Gains / (Losses)

	Half-year ended	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Fair value gain / (loss) on convertible notes	12,986	(13,451)
Fair value gain / (loss) on warrants	7,716	(9,201)
Unrealised foreign currency gain / (loss)	4,858	(547)
Realised foreign currency loss	(210)	(1,253)
Disposal of property, plant and equipment	(842)	(1,225)
Settlement agreement with Cobham Ltd [1]	4,340	-
	28,848	(25,677)

[1] On 6 December 2023, the vendor of National Jet Express Pty Ltd (NJE), Cobham Limited and REX signed a settlement agreement resulting in the liability, recognised as at 30 June 2023, for the total cash repayment of AU\$5.5m to the vendor to be waived. In addition, Cobham Limited agreed to pay REX a settlement sum of \$3.18m, which funds have not yet been received as at 31 December 2023. This resulted in income of \$4.3m being recognised during the period, which represents REX's 50% share of the total waived cash repayment and settlement sum. The acquisition of NJE by REX and the JV party was originally completed on 30 September 2022.

13. Investment in Joint Venture Business and Associates

Details of Associates and Joint Venture Entities	Principal place of business /incorporated	Accounting method	Ownership interest	
			31 Dec 2023	31 Dec 2022
Joint Venture				
National Jet Express Pty Ltd	Australia	Equity method	50%	50%
Associate				
Dovetail Electric Aviation Holdings Pty Ltd	Australia	Equity method	20%	0%

(A) National Jet Express Pty Ltd

On 30 September 2022, Rex acquired a beneficial interest of 50% of the issued share capital of National Jet Express (NJE) formerly known as Cobham Aviation Services Australia - Regional Services.

Rex plans to grow NJE into Australia's premier Fly-In-Fly-Out (FIFO) operator.

Breakdown of investment value	\$'000
Opening balance 30 June 2023	65,533
Professional services rendered	41
Rex's share of NJE results (50%) [1]	(498)
Rex's share of amortisation/depreciation of fair value uplift (50%) [1]	(2,728)
REX share of NJE total results	(3,226)
Closing balance 31 December 2023	62,348

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[1] Share of NJE results

	31 Dec 2023 6-Month period \$'000	31 Dec 2022 3-Month period \$'000
Summarised Profit and Loss		
Revenue	118,690	51,156
Expenses	(120,113)	(56,107)
Loss before income tax	(1,423)	(4,951)
Income tax	426	(61)
Loss after income tax	(997)	(5,012)
Other comprehensive income	-	-
REX 50% share of NJE results	(498)	(2,507)
Amortisation of fair value gain - 50% REX share	(2,728)	-
Share of NJE results	(3,226)	(2,507)

(B) Dovetail Electric Aviation Holdings Pty Ltd

Rex entered into a joint venture agreement in February 2023 to take up a 20% stake in Dovetail Electric Aviation Holdings Pty Ltd (Dovetail). In exchange for the shares in Dovetail, Rex provided Beech King Air C90 aircraft value of AUD 1,342 thousand on 27 March 2023 to be used as a test bed for the project along with a raft of support facilities including engineering expertise, technical assistance, maintenance, repair and overhaul (MRO) support as well as storage facilities and workforce accommodation. There were no movements on the investment value of AUD 1,342 thousand during the period given the start-up and limited activity within Dovetail.

14. Tax Benefit

Explanation of the relationship between tax benefit and accounting loss

	Half-year ended	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Pre-tax accounting loss	(2,089)	(15,740)
Tax benefit at the applicable rate of 30%	626	4,722
Tax effect of non-deductible items		
Gain on acquisition - NJE	-	4,420
Gain on acquisition of Australian Aero Propeller Maintenance Pty Ltd - Inventory	-	(58)
Settlement payment from Cobham Limited	1,302	-
Employee share gift	(98)	120
Facility fee amortisation	(1,209)	(1,209)
Fair value gain / (loss) on warrant and convertible notes	6,210	(6,796)
Other	(18)	66
Current year loss not recognised	(4,695)	-
Over/under provisions of deferred tax in prior year	(36)	487
Tax benefit	2,082	1,752

15. Subsequent Events after the Reporting Period

On 31 January 2024 Rex announced that it will increase services on the Brisbane to Cairns route from 4 March 2024.

On 2 February 2024, Rex announced the airline will extend its regional network reductions implemented in 2023 due to acute shortage of pilots and in particular the continued dislocated supply chains post COVID-19 heavily impacting the provision of aircraft spare parts, especially aircraft engine parts.

On 5 February 2024 Rex entered into an agreement to sell three King Air B200 aircraft for USD6.6M. Completion is expected by end of June 2024.

Rex will return one B737-800NG aircraft that has reached the end of its lease term on 29 February 2024.

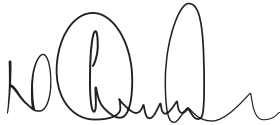
DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Neville Howell
Director
Sydney, 29 February 2024

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Members of the Rex Group

