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31 December 2022

HALF YEAR FINANCIAL REPORT

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

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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 2022

ASX APPENDIX 4D

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2022 $M	31 Dec 2021 $M	Change $M	Change %
Revenue excluding government grants and subsidies	337.9	88.4	249.5	282.2
Loss from ordinary activities, government grants and subsidies, after tax attributable to members	(14.0)	(36.7)	22.7	61.9
Share of results of joint venture - National Jet Express (50% holding)	(2.5)	-	(2.5)	100.0
Net loss for the period attributable to members	(16.5)	(36.7)	20.2	55.0

No dividends were paid during the half-year period ended 31 December 2022.

	31 Dec 2022 $	31 Dec 2021 $	Change %
Net tangible assets per ordinary share	1.17	1.29	(9.3)

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 2023 (1H FY23) saw Regional Express Holdings Limited ('Rex') continue on its post COVID-19 recovery, with record high monthly passengers and revenue in the start of Financial Year 2023.

Revenue (excluding government grants) for the period improved by 282.2% against the same period last year. Government grants and subsidies declined by 93% to $1.9M.

The Group completed its 50% share acquisition of National Jet Express (NJE), formerly known as Cobham Aviation Services Australia - Regional Services, on 30 September 2022.

Rex ended the reporting period with a loss of $16.5M after tax. This loss included a mark to market loss of $22.7M of convertible notes and warrants linked to the PAG facility as well as a $14.7M gain from the Company's investment in NJE.

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CONTENTS

5 Directors' Report

10 Auditors' Independence Declaration

11 Independent Auditor's Review Report

13 Condensed Consolidated Statement of Profit or Loss

14 Condensed Consolidated Statement of Other Comprehensive Income

15 Condensed Consolidated Statement of Financial Position

16 Condensed Consolidated Statement of Cash Flows

17 Condensed Consolidated Statement of Changes In Equity

18 Notes to the Condensed Consolidated Financial Statements

27 Directors' Declaration

DIRECTORS' REPORT

The directors of Regional Express Holdings Limited ('Rex') submit herewith the financial report for the half-year ended 31 December 2022.

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
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

Rex continued its post-COVID trajectory for the first half Financial Year 2023 (1H FY23) with growth in network capacity and passenger numbers.

Available Seat Kilometres (ASKs) increased by 269.4% with passenger numbers increasing by 319.2% to 1,450,421 against the same period last year.

Load factor also improved by 23.9% points to 77.3% for the period.

The half-year reporting period represents the first full reporting period following the exit of marginal routes, Melbourne-Albury, Sydney-Canberra, Sydney-Bathurst, Sydney-Grafton/Lismore, and Adelaide-Kangaroo Island during the preceding period. The Sydney to Ballina route also ceased on 2 July 2022.

In August 2022, Rex commenced regional Saab 340 services between Melbourne and Devonport, with Devonport becoming the airline's third destination in Tasmania.

Support from the Federal Government and State Governments for the aviation sector during the COVID-19 pandemic was critical in ensuring Rex's survival amid the worst operating conditions the industry had ever seen. As the industry recovered from the impact of COVID, such government grant measures were wound back and concluded. No COVID-related government grants or subsidies were received in 1H FY23.

Key Performance Indicators Table

	1H FY 2023	1H FY 2022	Change
Passengers	1,450,421	345,974	319.2%
ASKs (M)	1,216.5	329.4	269.4%
Load Factor	77.3%	53.4%	23.9 ppt

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ROUTE NETWORK DEVELOPMENTS

First half of FY23 marked the first six-month reporting period in which Rex did not operate services Melbourne-Albury, Sydney-Canberra, Sydney-Bathurst, Sydney-Grafton/Lismore, Sydney-Cooma and Adelaide-Kangaroo Island during the preceding period.

The network adjustments were essential to maximise the network's sustainability. The route exits from Melbourne to Albury, Sydney to Bathurst, Cooma, Grafton/Lismore, Ballina and Adelaide to Kangaroo Island, were attributed to the predatory conduct of Qantas, which entered these and other uneconomical regional routes to try to weaken Rex and make it abandon its domestic plans. These attempts failed spectacularly, as shown below.

Excluding the Melbourne to Albury route (which ceased on 29 May 2022), Rex withdrew from the routes on 30 June 2022, which coincided with the termination of the Federal Government's Regional Airline Network Support (RANS) program.

Rex also exited the Sydney-Ballina route for the same reason and ceased this route on 2 July 2022. When Qantas announced on 20 and 22 July 2022 its intention to suspend and cancel operations on both the Melbourne-Wagga Wagga and Melbourne-Mount Gambier routes respectively due to a lack of aircraft and patronage, Rex released a statement with renewed calls for the Australian Competition and Consumer Commission to reopen investigations into Qantas' conduct in the market.

From the start of FY23, multiple agreements with major travel agency groups came into effect including agreements with Flight Centre, Helloworld, Webjet, Consolidated Travel and Corporate Travel Management. In particular, Rex became Flight Centre's partner of choice following a landmark 10-year agreement.

From 4 July 2022, eleven regional destinations in New South Wales, Victoria and South Australia saw up to a 67% increase in weekday return services. This was due to strong demand on the Sydney to Albury, Broken Hill, Coffs Harbour, Dubbo, Orange, Griffith, Merimbula, Moruya, Port Macquarie, Wagga Wagga; Melbourne-Mildura and Adelaide-Port Lincoln routes. The additional seats exceeded pre-COVID capacity.

In August, Rex celebrated its 20th anniversary, commemorating the first Rex flight which took off from Wagga Wagga to Sydney on 2 August 2002. A special ceremony was held in Wagga Wagga and passengers across the network were treated with giveaways and served sparkling wine to honour the milestone.

Rex kicked off the anniversary celebrations with an announcement that it had achieved record-high passenger numbers and revenue across both its domestic and regional networks for the first month of FY23. July 2022's base passenger revenue on the domestic network was almost double the monthly average of the prior three months, with a load factor of 86% across the entire domestic network. The travel agency partnerships and corporate accounts, which had come into effect on 1 July 2022, contributed significantly to the improved performance.

On 19 August 2022, the inaugural flight between Melbourne and Devonport took to the skies and was welcomed by the Tasmanian Premier, Jeremy Rockliff; Chief Executive Officer of TasPorts, Anthony Donald; Devonport Mayor, Annette Rockliff, and Latrobe Mayor, Peter Freshney. This followed years of complaint from the Devonport community on the price gouging practised by the erstwhile monopoly carrier.

On 30 September 2022, Rex finalized its investment in National Jet Express (NJE), the Regional Services arm of Cobham Aviation Services Australia. Rex announced bold plans to grow and transform NJE into Australia's premier Fly-In-Fly-Out (FIFO) operator, including expansion into Queensland and the Northern Territory.

In October 2022, Rex announced that the domestic jet operations had swung into profitability for the month of September; the first time the jet operations reported a monthly profit after the jet network resumed full schedule in February 2022 following the impacts of COVID-19. The Saab 340 operations were also EBITDAR positive.

The momentum continued, and in November, Rex revealed that October's Profit Before Tax for the domestic jet operations of about $2 million. This grew to $2.8 million for the month of November, and $4 million for the month of December, marking the fourth consecutive month the jet operations had been profitable overall.

Regional network Saab 340 operations' EBITDAR for the month of October was a positive $1m, doubling to $2.2 million in November, and $1.4 million in December, being the fourth consecutive month the regional operations were cash-flow positive since COVID-19.

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Rex Deputy Chairman, the Hon John Sharp AM, and Executive Chairman, Lim Kim Hai, Prime Minister Anthony Albanese with a special model aircraft to celebrate the airline's 20th anniversary. Pictured with Flight Attendants Bridie, Lucinda and Alannah.

FLEET CHANGES

In July 2022, Rex took delivery of a Saab 340 turboprop aircraft, with VH-ZPO taking the Saab fleet to 61 aircraft.

Rex welcomed its seventh Boeing 737-800NG aircraft in August. The additional aircraft enabled increased capacity on the 'Golden Triangle' between Sydney, Brisbane and Melbourne.

Pel-Air Aviation, a Rex subsidiary, accepted delivery of four brand new aircraft in preparation for the start of its Ambulance Victoria fixed-wing air ambulance services contract which commences from January 2024. This contract was reawarded to Rex after over 10 years of successful partnership with Ambulance Victoria. The two Beechcraft King Air 260s and two Beechcraft King Air 360s arrived in country between August and November, and as at the date of this report are undergoing modifications.

In December 2022, Pel-Air successfully completed the Factory Acceptance Test of two new Pilatus PC-24 jets which will replace two Beechcraft King Air 350C aircraft in FY24 as part of its NSW Ambulance contract.

Also in December 2022, the Australian Airline Pilot Academy, a Rex subsidiary, acquired another Piper Seminole.

NJE, a Rex joint venture investment with two other parties, operates eight Dash 8 400 aircraft, six Embraer 190 aircraft, four BAE 146 aircraft and three Dash 8 100 aircraft.

The brand new fleet of Pel-Air Beechcraft King Air aircraft undergoing modifications for the Ambulance Victoria 12-year fixed-wing patient transport contract, which will commence Air Ambulance operations in January 2024.

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COMMUNITY, ENVIRONMENT AND SERVICE STANDARDS

In a joint initiative between the WA Government and Rex, capped flexible airfares hit the skies in July 2022 for regional WA residents travelling to Perth and back.

Under the Government scheme, eligible WA residents who live within 1,000 km (by road) of Perth can travel from Carnarvon, Monkey Mia, Albany and Esperance and pay no more than $199 one way (excluding booking and payment surcharges).

On 21 July 2022, Rex and Australian-headquartered Dovetail Electric Aviation (Dovetail) announced the formation of a strategic partnership to pioneer the conversion of turbine-powered aircraft to electric, nil-emission propulsion. The partnership, which will operate under the Dovetail brand, will develop and certify the retrofitting of electric engines onto legacy aircraft, initially for regional and general aviation aircraft.

Rex will provide an aircraft 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.

Rex's efforts in sustainable aviation also extends to an international collaboration with the aircraft manufacturer Embraer, with Rex sitting on Embraer's Advisory Board on non-fossil fuel regional aircraft development in the 30-50 seat category.

Rex received the prestigious 'Airline of the Year' Award at the inaugural Australian Aviation Awards for 2022 in September 2022. The judges recognised Rex's resilience, adaptability, flexibility, innovation and growth whilst keeping regional towns and major cities connected during a time of unprecedented adversity in aviation, and that Rex has been able to not just survive, but thrive, where other airlines had failed.

In October, Rex introduced a business class upgrade program on its domestic jet services. In an Australian first, the Rex Bid Up program also includes a real-time bidding feature which allows participants to adjust their bids whenever they are outbid, thereby giving themselves the best chance of success to secure an upgrade. The program has proven exceptionally successful.

The interline agreement between Rex and Delta Air Lines also commenced in October. The agreement means Rex passengers can easily connect with Delta's daily non-stop flights from Sydney to Los Angeles – with seamless onward connectivity to nearly 50 cities in the U.S. and Latin America. Rex is also delighted to welcome Delta passengers from the U.S., Canada and Mexico down under, where they can easily discover Australia on Rex's vast domestic and regional network.

In 1H FY23, more than 134,000 passengers flew on the regional network on a Community Fare. The Community Fare Scheme aims to provide affordable air transport to regional communities. Discounted Community Fares are available on participating routes for early-bird sales up to 30 days prior to departure (subject to availability), and all remaining unsold seats are released at the Community Fare level within the 24 hours before departure time.

Community Fares enable discounted travel for Australians residing in regional and remote areas, as well as promoting tourist visitation to regional destinations, providing much-needed economic support for regional economies during the continued COVID-19 recovery.

Once again, Rex came first in the reliability index, ranking number one for on-time departures, on-time arrivals and cancellations.

Rex recorded a 73.58% on-time departure rate according to the Bureau of Infrastructure and Transport Research Economics (BITRE). Rex also had the lowest flight cancellations (1.88%) well ahead of the next ranked airline which cancelled 3.59% of its flights.

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 2022.

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 13th NGER report to the Clean Energy Regulator in October 2022.

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AUDITOR'S INDEPENDENCE DECLARATION

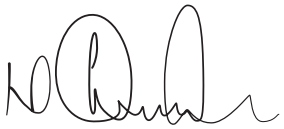
The auditor's independence declaration is included on page 10 of the half-year report.

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



Neville Howell
Director
Sydney, 28 February 2023

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AUDITOR'S INDEPENDENCE DECLARATION

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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 2022, 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, 28 February 2023

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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 2022, 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 2022 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 2022 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

John Bresolin
Director

Sydney, 28 February 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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	Note	Half-year ended 31 Dec 2022 $'000	31 Dec 2021 $'000
Passenger revenue		292,913	68,709
Freight revenue		890	692
Charter revenue		36,292	15,437
Other passenger services and amenities		720	37
Other revenue		7,061	3,479
Revenue from contracts with customers		337,876	88,354
Government grants and subsidies		1,956	28,128
Total revenue, government grants and subsidies		**339,832**	**116,482**
Finance income		**497**	**160**
Other gains / (losses)	**12**	**(25,677)**	**(7,271)**
Flight and port operation costs		(76,382)	(24,816)
Fuel costs		(75,299)	(15,860)
Salaries and employee-related costs		(97,328)	(64,719)
Selling and marketing costs		(15,706)	(3,189)
Engineering and maintenance costs		(38,135)	(28,385)
General administration costs		(7,221)	(5,518)
Finance costs		(4,493)	(3,647)
Depreciation and amortisation		(26,530)	(15,587)
Imputed facility fee amortisation	11	(4,030)	(4,030)
Asset impairment reversal		-	3,401
Fair value gain on joint venture	13	14,732	-
Total costs and expenses		**(330,392)**	**(162,350)**
Loss before tax and share of results of joint venture		**(15,740)**	**(52,979)**
Tax benefit	14	1,752	16,321
Loss after tax and before share of results of joint venture		**(13,988)**	**(36,658)**
Share of results of joint venture	13	(2,507)	-
Earnings attributable to:			
Members of the parent		**(16,495)**	**(36,658)**
Loss after tax and share of results of joint venture		**(16,495)**	**(36,658)**
Earnings per share		**cents per share**	**cents per share**
Basic		(14.6)	(32.9)
Diluted		(14.6)	(32.9)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

		Half-year ended	
	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Loss after tax and share of results of joint venture		**(16,495)**	**(36,658)**
Other comprehensive (loss) / income			
Revaluation of cash flow hedges		(3,791)	3,650
Revaluation of financial instruments	5	(1,613)	2,521
Income tax effect		1,137	(1,096)
Other comprehensive (loss) / income, net of tax	**8**	**(4,267)**	**5,075**
Total comprehensive loss for the period		**(20,762)**	**(31,583)**

The accompanying notes form part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

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	Note	Consolidated 31 Dec 2022 $'000	30 Jun 2022 $'000
Current assets			
Cash and bank balances		61,330	42,224
Receivables		34,977	25,252
Inventories		9,789	9,468
Income tax receivable		-	11,197
Other financial assets		14,025	15,318
Total current assets		**120,121**	**103,459**
Non-current assets			
Receivables		8,513	8,138
Inventories		1,822	2,235
Investments - fair value through equity		9	9
Investments accounted for using the equity method	13	36,699	-
Deferred tax assets		24,608	21,785
Other financial assets		12,767	19,295
Property, plant and equipment			
Aircraft	3	235,501	165,639
Other property, plant and equipment		113,200	113,680
Right-of-use assets	4	83,982	60,438
Other intangible assets		953	906
Total non-current assets		**518,054**	**392,125**
Total assets		**638,175**	**495,584**
Current liabilities			
Payables		80,412	52,704
Unearned revenue		58,382	45,029
Interest bearing liabilities	5	9,558	18,867
Lease liabilities	5	16,570	12,742
Provisions		15,205	14,277
Total current liabilities		**180,127**	**143,619**
Non-current liabilities			
Interest bearing liabilities	5	219,837	125,154
Lease liabilities	5	82,453	60,954
Provisions		3,120	2,889
Other financial liabilities	11	20,020	10,819
Total non-current liabilities		**325,430**	**199,816**
Total liabilities		**505,557**	**343,435**
Net assets		**132,618**	**152,149**
Equity			
Issued capital	7	75,619	73,689
Reserved shares	7	(457)	(57)
Retained earnings		36,165	52,660
Share-based payments reserve	8	2,907	3,206
Other reserves	8	18,384	22,651
Total equity		**132,618**	**152,149**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	Half-year ended 31 Dec 2022 $'000	31 Dec 2021 $'000
Receipts from customers		375,901	77,443
Proceeds from government grants and subsidies		1,038	24,915
Payments to suppliers, employees and others		(326,836)	(128,023)
Interest paid		(2,573)	(2,116)
Income tax received		11,196	10,420
Net cash flows from / (used in) operating activities, government grants and subsidies		**58,726**	**(17,361)**
Interest received		497	160
Payments for investment in joint venture business (net basis)		(11,985)	-
Payments for aircraft under construction		(77,282)	(210)
Payments for property, plant and equipment - aircraft and other		(12,183)	(18,005)
Payments for property, plant and equipment - software		(195)	(40)
Net cash flows used in investing activities		**(101,148)**	**(18,095)**
Lease liabilities paid		(8,781)	(5,733)
Repayment of interest bearing liabilities - non-related parties	5	(15,449)	(6,419)
Proceeds from interest bearing liabilities - non-related parties	5	85,759	48,263
Net cash flows from financing activities		**61,528**	**36,111**
Net increase in cash held		**19,106**	**655**
Cash at the beginning of the period		**42,224**	**30,112**
Cash at the end of the period		**61,330**	**30,767**

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 2022

	Attributable to equity holders of the Company						
	Issued capital	Reserved shares	Retained earnings	Share-based payments reserve	Revaluation reserve	General reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2021	**72,024**	**188**	**98,801**	**1,809**	**(4)**	**1,590**	**174,408**
Loss for the period	-	-	(36,658)	-	-	-	(36,658)
Other comprehensive gain, net of tax	-	-	-	-	5,075	-	5,075
Total comprehensive (loss) / income for the period	-	-	(36,658)	-	5,075	-	(31,583)
New shares issued	1,665	-	-	-	-	-	1,665
Transfers from new shares issued	-	(1,665)	-	-	-	-	(1,665)
Share gift issued - gift	-	1,420	-	(1,420)	-	-	-
Share gift plan provision	-	-	-	677	-	-	677
Performance rights provision	-	-	-	589	-	-	589
At 31 December 2021	**73,689**	**(57)**	**62,143**	**1,655**	**5,071**	**1,590**	**144,091**
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**

The accompanying notes form part of these financial statements.

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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 condensed consolidated financial statements have been prepared on a going concern basis. In preparing the condensed consolidated financial statements, the directors note that the Group and Company are in a net current asset deficiency position, due to the nature of the operations whereby customers make payment for booked flights prior to the flights being taken. The directors have prepared and reviewed a cash flow forecast that indicates 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 Group expects positive cash flows in the second half of FY23 from the domestic and regional regular public transport (RPT) operations.

In addition to this, our charter business unit continues to generate positive cash flows. 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 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 2022 annual financial report for the financial year ended 30 June 2022. 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.

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.

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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 2022 $'000	31 Dec 2021 $'000	31 Dec 2022 $'000	31 Dec 2021 $'000
Continuing operations				
Regular public transport	289,903	71,013	(2,708)	(65,653)
Charter and other	43,790	15,459	7,670	(224)
Training	4,183	1,882	(496)	1,046
	337,876	88,354	4,466	(64,831)
Government grants and subsidies	1,956	28,128	1,956	28,128
Finance income			497	160
Other gains / (losses)			(25,677)	(7,271)
Fair value gain on joint venture			14,732	-
Central administration costs			(7,221)	(5,518)
Finance costs			(4,493)	(3,647)
Loss before tax and share of results of joint venture			(15,740)	(52,979)
Tax benefit			1,752	16,321
Share of results of joint venture			(2,507)	-
Consolidated segment revenue and loss	**339,832**	**116,482**	**(16,495)**	**(36,658)**

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 2022 $'000	30 Jun 2022 $'000	31 Dec 2022 $'000	30 Jun 2022 $'000
Continuing operations				
Regular public transport	320,390	357,581	231,876	201,392
Charter and other	300,760	121,353	242,834	112,531
Training	17,025	16,650	30,847	29,512
Total assets and liabilities	**638,175**	**495,584**	**505,557**	**343,435**

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3. AIRCRAFT

	Aircraft $'000	Aircraft under construction $'000	Total $'000
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**
At 1 July 2021	59,106	80,544	139,650
Additions	7,443	210	7,653
Depreciation	(1,308)	-	(1,308)
At 31 December 2021	**65,241**	**80,754**	**145,995**

During the half year period ended 31 December 2022, the Group acquired one SAAB 340B aircraft and paid $77.2M for the acquisition and 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 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**
At 1 July 2021	63,263	2,123	65,386
Additions	-	6,273	6,273
Foreign exchange rate adjustment	(959)	-	(959)
Depreciation	(5,060)	(958)	(6,018)
At 31 December 2021	**57,244**	**7,438**	**64,682**

Lease liabilities were recorded in accordance with AASB 16 Leases.

	31 Dec 2022 $'000	30 Jun 2022 $'000
Current	16,570	12,742
Non-current	82,453	60,954
	99,023	**73,696**

	Half-year ended	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	7.528	6,018
Interest expense on lease liabilities	1,970	1,531

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5. INTEREST BEARING LIABILITIES

	31 Dec 2022		30 Jun 2022	
	Borrowing rate %	$'000	Borrowing rate %	$'000
Current				
Loan facility	4.79%	9,558	3.40%	9,368
Advance		-	0.15%	9,499
Interest bearing liabilities		**9,558**		**18,867**
Lease liabilities		**16,570**		**12,742**
		26,128		**31,609**
Non-current				
Loan facility	4.79%	147,383	3.40%	67,765
Convertible notes	4.00%	72,454	4.00%	57,389
Interest bearing liabilities		**219,837**		**125,154**
Lease liabilities		**82,453**		**60,954**
		302,290		**186,108**

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 aircraft 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.

The advance is a short-term emergency cash flow advance provided to the Group by NSW Air Ambulance to assist the Group in meeting part of the capital expenditure for a number of aircraft assets in preparation for the NSW medical evacuation contract. The advance was fully repaid by December 2022.

The Group's debt facilities include the following:

	31 Dec 2022		30 Jun 2022	
	Used $'000	Limit $'000	Used $'000	Limit $'000
Westpac	156,941	175,400	77,133	175,400
PAG	75,000	150,000	75,000	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 $25m 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:
  - If PAG extends, no interest is payable by Rex for the extended term
  - 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.

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The fair value movement of the convertible notes is $15,065 thousand, and reported as follows:

- A fair value increase through profit or loss of $13,452 thousand is attributed to the increase in share price of the Group's shares, and
- A fair value increase through other comprehensive income of $1,613 thousand is attributed to the change of the Group's credit profile.

	30 Dec 2022 $'000	30 Jun 2022 $'000
Opening balance	57,387	44,411
Proceeds from issue of convertible notes	-	25,000
Fair value changes through profit or loss	13,452	(6,327)
	70,841	63,084
Fair value changes through other comprehensive income	1,613	(5,695)
Closing balance	72,454	57,387

6. DIVIDENDS

The directors have recommended no dividends to be paid for the financial year ended 30 June 2022 (FY2022) and for the period under review (2021: nil).

7. ISSUED CAPITAL AND RESERVED SHARES

	31 Dec 2022		30 Jun 2022	
	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares				
Opening balance	111,177	73,689	110,155	72,024
New shares issued	1,429	1,930	1,022	1,665
Closing balance	112,606	**75,619**	111,177	**73,689**
Reserved shares	-	(457)	-	(57)

	31 Dec 2022 $'000	30 Jun 2022 $'000
Reserved shares		
Opening balance	(57)	188
New shares issued	(1,930)	(1,665)
Share gift issued	1,530	1,420
Closing balance	**(457)**	**(57)**

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

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8. SHARE-BASED PAYMENTS RESERVE AND OTHER RESERVES

	31 Dec 2022 $'000	30 Jun 2022 $'000
Share-based payments reserve		
Opening balance	3,206	1,809
Share gift issued	(1,530)	(1,420)
Share gift plan provision	642	1,639
Performance rights provision	589	1,178
Closing balance	**2,907**	**3,206**
Revaluation reserve		
Opening balance	21,061	(4)
Revaluation of cash flow hedges, net of tax	(2,654)	15,370
Revaluation of financial instruments	(1,613)	5,695
Closing balance	16,794	21,061
General reserve		
Opening balance	1,590	1,590
Movement during the period	-	-
Closing balance	1,590	1,590
Total other reserves	**18,384**	**22,651**

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 1,429 thousand (2021: 1,022 thousand) fully paid up shares, and gifted 1,429 thousand shares to employees (2021: 1,174 thousand).

During FY2008, 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.

10. CONTINGENCIES AND COMMITMENTS

Capital Expenditure Commitments

There are no off balance sheet commitments for the acquisition of property, plant and equipment as at 31 December 2022 (2021: nil).

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 2022. 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 2022. 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 2022 has been recognised in other comprehensive gains and losses.

The Group may use jet fuel swap contracts to hedge exposure to movements in the price of aviation fuel. Jet fuel swaps are taken out from time to time to hedge exposures to a maximum of 12 months in accordance with the Group's risk management policies. The Group uses fuel swaps linked to the Platts Singapore Kerosene benchmark to hedge exposures to jet fuel. The Group has entered into fuel swap contracts for

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May and June 2013 and the fair value at 31 December 2022 has been recognised in other comprehensive gain and losses.

Fair Value of Derivatives and Other Financial Instruments

The fair value of fuel swap contracts and foreign exchange derivative contracts are 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 2022.

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31-Dec-22				
Financial assets carried at fair value				
Derivative asset – jet fuel swap	-	173	-	173
Derivative asset – interest rate swap	-	17,788	-	17,788
Derivative asset – FECs	-	202	-	202
Financial liabilities carried at fair value				
Derivative liability – rights to warrants	-	20,020	-	20,020
Financial liability – convertible notes	-	72,454	-	72,454
30-Jun-22				
Financial assets carried at fair value				
Derivative asset – interest rate swap	-	16,595	-	16,595
Derivative asset – FECs	-	5,359	-	5,359
Financial liabilities carried at fair value				
Derivative liability – rights to warrants	-	10,819	-	10,819
Financial liability – convertible notes	-	57,389	-	57,389

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:

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	31 Dec 2022 $'000	30 Jun 2022 $'000
Opening balance	10,819	15,079
Fair value changes through profit or loss	9,201	(4,260)
Closing balance	20,020	10,819

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 2022 $'000	30 Jun 2022 $'000
Opening balance	12,659	20,653
Facility fee amortised through profit or loss	(4,030)	(7,994)
Closing balance	8,629	12,659
Current facility fee imputed	7,994	7,994
Non-current facility fee imputed	635	4,665
	8,629	12,659

12. OTHER GAINS / (LOSSES)

	Half-year ended	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Fair value loss on convertible notes	(13,451)	(3,664)
Fair value (loss) / gain on warrants	(9,201)	117
Unrealised foreign currency loss	(547)	(2,220)
Realised foreign currency loss	(1,253)	(1,499)
Disposal of property, plant and equipment	(1,225)	(5)
	(25,677)	**(7,271)**

13. INVESTMENT IN JOINT VENTURE BUSINESS

On 30 September 2022, Rex acquired 100% of the issued share capital of National Jet Express (NJE) formerly known as Cobham Aviation Services Australia - Regional Services, for the total base consideration of $48.18M. As part of this transaction, 50% of the NJE common shares were immediately sold on the same day to Joint Venture and related parties Lim Kim Hai (Chairman of the Rex Board of Directors and Shareholder) and Thian Song (Shareholder) for $24.09M. Lim Kim Hai acquired 30% of the common shares of NJE for $14.45M and Thian Song acquired 20% of the common shares of NJE for $9.64M. As at 31 December 2022 Rex has paid $35.69M as consideration as a result of working capital adjustments to the base consideration. The final consideration to be paid is still being negotiated between the parties and will be finalised as at 30 June 2023. Considering the $24.09M paid by the Joint Venture parties, this represents a net cash out flow to Rex of $11.60M. The difference of $12.49M will be contributed by Rex by means of a capital contribution into NJE and will be paid in the next 12 months. Rex plans to grow and transform NJE into Australia's premier Fly-In-Fly-Out (FIFO) operator.

Rex has joint control and has accounted for its investment in the joint venture under the equity method. Rex has applied provisional accounting to assess the fair value of NJE's identifiable assets and liabilities upon acquisition. Based on the facts and circumstances known to date the net asset value is representative of the fair value and no material impairments exist. Under this assumption Rex has made a gain and the difference between the purchase price and net asset value is recorded as an uplift to the investment.

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	$'000
Cash	17,646
Trade and other receivables	30,999
Inventories	10,309
Contract assets	155
Prepayments	1,700
Deferred tax	13,181
Property, plant and equipment incl. Right-of-use assets	145,993
Total assets	**219,983**
Trade and other payables	19,251
Lease liabilities	89,446
Employee benefits provision	10,207
Other provisions	14,283
Income tax payable	2,256
Contract liabilities	6,895
Total liabilities	**142,338**
Provisional fair value of net assets acquired	**77,645**
Total investment value (Rex & Other subscribers)	48,180
Provisional fair value gain	29,465
Rex's investment (50%)	24,090
Rex's share of provisional fair value gain (50%)	14,732
Rex's share of results (50%)	(2,507)
Legal fees capitalised	384
Investments accounted for using the equity method	**36,699**

14. TAX BENEFIT

Explanation of the relationship between tax benefit and accounting loss.

	Half-year ended	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Pre-tax accounting loss including share of results of joint venture	(18,247)	(52,979)
Tax benefit at the applicable rate of 30%	5,474	15,894
Tax effect of non-deductible items		
Fair value gain on acquisition - NJE	4,420	-
Share of loss - NJE	(752)	-
Gain on acquisition of Australian Aero Propeller Maintenance Pty Ltd - Inventory	(58)	-
Employee share gift	120	120
Facility fee amortisation	(1,209)	(1,209)
Fare value loss on warrant and convertible notes	(6,796)	(1,064)
Other	66	(54)
Over/under provisions of current tax liability in prior year	-	1,306
Over/under provisions of deferred tax in prior year	487	1,328
Tax benefit	**1,752**	**16,321**

15. SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Rex Airlines signed a Letter of Intent (LOI) to lease two Boeing 737-800NG jets and are expected to arrive in Australia in June and July 2023.

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 will provide an aircraft 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.

DIRECTORS' DECLARATION

In the directors' opinion:

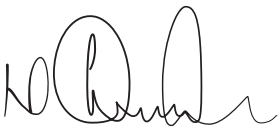
(a) the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 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, 28 February 2023

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Members of the Rex Group