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## ASX RELEASE

### REX SIGNS BINDING AGREEMENT WITH PAG ON FUNDING FOR DOMESTIC JET OPERATIONS

Rex today announced that it had signed an agreement with PAG Regulus Holdings Pte Ltd (**PAG**), a subsidiary of leading Asia-Pacific focused investment firm PAG that will see an investment by PAG of up to AUD150 million to be used exclusively to support the launch of Rex's domestic jet operations scheduled to commence on 1 March 2021 (**Funding**).

The Funding comprises first ranking senior secured convertible notes (**Notes**). An initial Funding tranche of AUD50 million will be drawn down towards early January 2021 (**Completion**), with the balance of the Funding available for drawdown over the following three years.

The Funding is subject to customary conditions including Rex's shareholder approval for the purposes of section 611 (Item 7) of the *Corporations Act 2001* (Cth) (**Corporations Act**) and the ASX Listing Rules, which is intended to be sought at Rex's Annual General Meeting (**AGM**); as well as to the Foreign Investment Review Board (**FIRB**) and any other required regulatory approvals.

Upon Completion, PAG will be entitled to nominate two directors to the Rex board.

Leadenhall Corporate Advisory has been appointed as an independent expert to report on whether the Funding transaction is fair and reasonable to Rex's shareholders. This will be included as part of the Notice of Meeting and Explanatory Memorandum to be sent to shareholders to allow them to consider and vote on the Funding transaction, which will occur at the Company's AGM. These documents are expected to be sent to shareholders in early December with the AGM then being in early January.

The Annex outlines the principal terms of the agreement.

Rex's Executive Chairman, Mr Lim Kim Hai, said, "PAG is a well-respected and highly successful investment group which manages more than USD40 billion on behalf of major global institutional investors. I look forward to tapping into the experience and expertise of PAG's nominated directors whose professionalism I have grown to respect over the last few months of extensive discussions."

"Preparations for our domestic operations are proceeding to plan with our first Boeing 737 800NG aircraft delivered on 5 November 2020. Our crew will carry out training on the aircraft over the next 3 weeks before the CASA proving flight on 2 December 2020. We anticipate CASA approval shortly after. Five other similar aircraft will be delivered from next month to March 2021."

"We will debut on the Sydney – Melbourne route with 3 aircraft on 1 March 2021 and will ramp up to 5 aircraft by Easter that will see flights to other capital cities. Once the initial services are well established, we aim to progressively grow our fleet to cover all the major cities in Australia."

PAG Chairman and CEO Weijian Shan said, "We have been impressed with Rex's established track record in regional aviation in Australia. Rex's plan to provide Australia's major cities with





affordable and high-quality air travel is consistent with their disciplined and focused approach over the past 18 years. PAG is excited to partner with Rex on this expansion.”

This announcement is authorised by Mr Lim Kim Hai, Executive Chairman, Regional Express Holdings Limited.

#### About Rex

**Rex** is Australia’s largest independent regional airline operating a fleet of 60 Saab 340 aircraft (pre-COVID) on some 1,500 weekly flights to 59 destinations throughout all states in Australia. In addition to the regional airline **Rex**, the **Rex Group** comprises wholly owned subsidiaries **Pel-Air Aviation** (air freight, aeromedical and charter operator) and the two pilot academies **Australian Airline Pilot Academy** in Wagga Wagga and Ballarat.

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#### About PAG:

PAG is one of the world’s largest Asia Pacific-focused private investment firms, with a network of 200 seasoned investment professionals in nine key offices in the Asia-Pacific region and around the world. With experience across industries and market cycles, PAG delivers value to investors by seeking out leading companies and investing to help them reach their full potential. PAG currently manages US\$40 billion in capital on behalf of more than 150 leading institutional investors from Europe, North America, Asia, Australia and the Middle East. Previous PAG investments in Australia include Craveable Brands and The Cheesecake Shop. For more information please visit [www.pag.com](http://www.pag.com).

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## ANNEX:

### Summary of Proposed Transaction

Facility	Australian-dollar convertible note facility
Face Value and PAG Commitment	<p>The convertible notes to be issued under the facility (<b>Convertible Notes</b>) will have a face value of \$1.00.</p> <p>PAGAC Regulus Holding Pte. Ltd. (<b>PAG</b>) has agreed to subscribe for up to \$150 million of Convertible Notes in aggregate (<b>Proposed Transaction</b>) pursuant to the terms of a subscription agreement (<b>Subscription Agreement</b>) and convertible note instrument.</p>
Conversion Price	The conversion price will be \$1.50 per Share, subject to customary adjustments ( <b>Conversion Price</b> ).
Purpose	<p>The funds raised pursuant to the issue of Convertible Notes will be used by the Company and its subsidiary, Rex Airlines Pty Ltd (<b>Rex Airlines</b>), for:</p> <ul style="list-style-type: none"><li>• matters relating to the establishment, operation and expansion by the Group of Australian domestic Regular Public Transport services by jet (<b>Domestic Operations</b>); and</li><li>• any other purposes with the consent of PAG.</li></ul>
Status	<p>The Convertible Notes will be first-ranking secured debt obligations of the Company.</p> <p>The Convertible Notes will not confer any shareholder rights (including voting or dividend rights) on the holder but the holder will have such rights in respect of Shares issued upon conversion.</p> <p>Shares issued on conversion of the Convertible Notes (<b>Conversion Shares</b>) will be fully paid and will rank equally in all respects with the ordinary shares on issue in Company (<b>Shares</b>) as at the date of conversion.</p> <p>The Convertible Notes will not be quoted on the ASX or any other securities exchange.</p>
Drawdown	<p>The Convertible Notes will be issued to PAG as follows:</p> <ul style="list-style-type: none"><li>• 50 million Convertible Notes for aggregate consideration of \$50 million within 10 business days after satisfaction of all Conditions Precedent (as defined below) (<b>First Draw Date</b>); and</li><li>• up to a further 100 million Convertible Notes for aggregate consideration of \$100 million during the period from the First Draw Date until the date which is 3 years after the First Draw Date (<b>Final Draw Date</b>).</li></ul> <p>Following the First Draw Date, the Company may subsequently drawdown and issue Convertible Notes in minimum tranches of \$5 million (<b>Subsequent Draws</b>) subject to the satisfaction of certain conditions, including that at least 75% of the funds provided by PAG as at the date of a Subsequent Draw have been utilised by</p>

	<p>the Company.</p> <p>The Company will not be required to make any Subsequent Draws in certain circumstances.</p>
<b>Conditions Precedent</b>	<p>The Company will only issue the Convertible Notes on the First Draw Date if certain conditions precedent (<b>Conditions Precedent</b>) have been satisfied, including the following:</p> <ul style="list-style-type: none"> <li>• PAG having received necessary approvals from the Foreign Investment Review Board (<b>FIRB</b>); and</li> <li>• the Company having received approval from its shareholders (<b>Shareholders</b>) in respect of the agreement to issue Convertible Notes and Conversion Shares to PAG: <ul style="list-style-type: none"> <li>○ under Listing Rule 7.1; and</li> <li>○ under item 7 of section 611 of the Corporations Act (<b>611(7) Approval</b>); and</li> </ul> </li> <li>• the approval by CASA of the addition of 737 aircraft for Domestic Operations to the Company's Air Operator's Certificate.</li> </ul>
<b>Term</b>	<p>The term of the Convertible Notes (<b>Term</b>) will be five years following the First Draw Date (<b>Initial Term</b>) extendable at the election of either party by a further one year (<b>Extended Term</b>) (the last day of the Initial Term or if extended the Extended Term, being the <b>Maturity Date</b>).</p>
<b>Interest</b>	<p>Interest will accrue on the face value of drawn Convertible Notes at a rate of 4% per annum (<b>Ordinary Interest</b>). The Company will be entitled to elect to capitalise Ordinary Interest and add it to the principal of the loan amount.</p> <p>If an Event of Default (as described below) occurs and is subsisting, then interest will accrue on the face value of drawn Convertible Notes at a rate of 12% per annum.</p> <p>If PAG elects to extend the Initial Term, then the Company will not be liable to pay any Ordinary Interest during the Extended Term.</p>
<b>Security and Guarantee</b>	<p>Cross guarantee from the Company and all wholly owned operating subsidiaries of the Company (<b>Obligors</b> or <b>Guarantors</b>), other than certain 'excluded' subsidiaries that are restricted under existing third party arrangements from encumbering their assets.</p> <p>First ranking security over all the assets and undertakings of the Company and each Guarantor subject to certain limited exceptions and PAG agreeing intercreditor arrangements with the Group's existing secured lenders.</p> <p>After the Final Draw Date, the Company will be entitled to provide a bank guarantee to PAG as consideration for PAG releasing all security and lifting certain operating restrictions on the Group.</p>
<b>Trigger Events</b>	<p>The Convertible Notes may be converted or redeemed prior to the Maturity Date in the event of the occurrence of certain events.</p> <p><b>Tier 1 Trigger Event</b> means:</p> <ul style="list-style-type: none"> <li>• a material breach by a Group Company, or any termination or material</li> </ul>

	<p>variation by a Group Company of, a transaction document which does not constitute a Tier 3 Trigger Event (as defined below);</p> <ul style="list-style-type: none"> <li>• an Event of Default (as described below) under the Subscription Agreement, (not remedied within 15 business days of the Event of Default occurring) which has or is reasonably likely to have a material adverse effect on the Group and which does not constitute a Tier 3 Trigger Event; or</li> <li>• certain specified operational milestones have not been achieved by 30 June 2021.</li> </ul> <p><b>Tier 2 Trigger Event</b> means the occurrence of:</p> <ul style="list-style-type: none"> <li>• any transaction or arrangement that, if completed, would mean one or more third parties would acquire voting power or a relevant interest (including synthetically) in 20% or more of the Shares; or</li> <li>• a consolidation or merger of the Company with another company or the sale, or other disposition of all, or substantially all, of the assets of the Company or Rex Airlines.</li> </ul> <p><b>Tier 3 Trigger Event</b> means:</p> <ul style="list-style-type: none"> <li>• 611(7) Approval is not obtained on an as-needed basis after the First Draw Date, or is revoked, varied or circumstances otherwise exist that could be considered to result in such revocation or variation (<b>611(7) Withdrawal</b>);</li> <li>• a deliberate or reckless Event of Default (as described below);</li> <li>• a deliberate or reckless breach of any finance document;</li> <li>• a breach or variation of any voluntary escrow deed entered into in connection with the First Draw; or</li> <li>• the Company breaches its obligation to procure, to the extent legally permissible, that the Directors (other than any nominated by PAG) vote any ordinary shares in the Borrower which they own or control in favour of that resolution and recommend that Shareholders vote in favour of the 611(7) Approval (subject to certain exceptions):</li> </ul> <p><b>Tier 4 Trigger Event</b> means:</p> <ul style="list-style-type: none"> <li>• FIRB approval is not obtained by PAG on an as-needed basis after the First Draw Date; or</li> <li>• PAG being unable to comply with any changed law or regulatory requirement after the First Draw Date.</li> </ul>
<b>Redemption</b>	<p>Unless the Convertible Notes have been converted, the Convertible Notes will be redeemable by the Company for the following consideration:</p> <ul style="list-style-type: none"> <li>• the face value of the Convertible Notes plus any accrued but unpaid interest on drawn Convertible Notes upon the first to occur of: <ul style="list-style-type: none"> <li>◦ the Maturity Date (at the election of either PAG or the Company), provided that PAG has not previously elected to convert; and</li> <li>◦ a Tier 1 Trigger Event or Tier 4 Trigger Event (at PAG's discretion);</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>upon the occurrence of a Tier 2 Trigger Event (at PAG's discretion), the higher of: <ul style="list-style-type: none"> <li>face value of the Convertible Notes plus any accrued but unpaid interest; and</li> <li>fair market value (being the volume weighted average price of Shares for the 3 months prior to the occurrence of the Tier 2 Trigger Event, or if a related party of the Company implements a transaction which would be a Tier 2 Trigger Event then as determined by an independent valuer (at the election of PAG)); or</li> </ul> </li> <li>upon the occurrence of a Tier 3 Trigger Event (at PAG's discretion) for the higher of: <ul style="list-style-type: none"> <li>fair market value (being the volume weighted average price of Shares for the 3 months prior to the occurrence of the Tier 3 Trigger Event, or (other than in relation to 611(7) Withdrawal) as determined by an independent valuer (at the election of PAG)); and</li> <li>an amount to result in an internal rate of return to PAG in respect of its investments in Convertible Notes of 10% compounding per annum from the First Draw Date.</li> </ul> </li> </ul>
<b>Conversion</b>	<p>PAG may convert all or some of the drawn Convertible Notes into Conversion Shares either:</p> <ul style="list-style-type: none"> <li>immediately following a period from when a Tier 1 Trigger Event, Tier 2 Trigger Event or Tier 3 Trigger Event occurs and ending on 5.00pm on the Maturity Date; or</li> <li>at any time from the Final Draw Date to 5:00pm on the Maturity Date.</li> </ul> <p>PAG's ability to convert its Convertible Notes into Conversion Shares is subject to the following restrictions:</p> <ul style="list-style-type: none"> <li>the aggregate number of Conversion Shares not exceeding 47.6% of the fully diluted Share capital of the Company;</li> <li>the Company having any necessary approvals from its Shareholders; and</li> <li>PAG having any necessary FIRB approval to allow it to acquire such Conversion Shares.</li> </ul> <p>Based on Rex's current issued share capital:</p> <ul style="list-style-type: none"> <li>if the first tranche of \$50 million of Convertible Notes is fully converted into Conversion Shares, PAG would hold approximately 23.3% of the Company's total issued Shares; and</li> <li>if the full \$150 million of Convertible Notes are issued and fully converted and/or all Warrants issued for the Undrawn Amount are exercised(see below), PAG would hold approximately 47.6% of the Company's issued Shares.</li> </ul>
<b>Restrictions on Disposal</b>	<p>Prior to the third anniversary of the First Draw Date (<b>Relevant Anniversary</b>), PAG may not dispose of or transfer the Convertible Notes without the prior written consent of the Company, other than to its affiliates or in certain other limited</p>



	<p>circumstances.</p> <p>If following the first anniversary of the First Draw Date the market price of Shares is equal to or greater than 150% of the conversion price of the Convertible Notes, PAG may:</p> <ul style="list-style-type: none"> <li>• (with the Company's consent) dispose of one-third of its aggregate holding of Convertible Notes in each calendar year to institutional investors; or</li> <li>• convert one-third of its aggregate holding of Convertible Notes in each calendar year.</li> </ul> <p>After the Relevant Anniversary, the Company has a right of first offer in respect of any disposal or transfer of PAG's Convertible Notes or Warrants (as applicable).</p>
<b>Board representation</b>	<p>From the First Draw Date, PAG has the right:</p> <ul style="list-style-type: none"> <li>• to nominate two representatives to be appointed to the Board of the Company as non-executive directors; and</li> <li>• to nominate one of its representatives to the Board of Rex Airlines.</li> </ul> <p>PAG's Board nomination rights cease upon the occurrence of certain events, including if the Convertible Notes held by PAG represent less than 20% of the total issued Shares on a fully diluted basis (subject to certain exceptions).</p>
<b>Undertakings</b>	<p>The Group will be subject to certain restrictions during the Term which are customary for transactions of this nature.</p> <p>The Company will be able to pay dividends of no more than 60% of accumulated, consolidated net after-tax profits of the Group after 1 January 2021, adjusted to exclude non-cash increases/decreases in asset values and non-recurring and one-off increases/decreases in profits.</p>
<b>Events of Default</b>	<p>The Subscription Agreement sets out certain "Events of Default" which are customary for a transaction of this nature, including non-payment by the Group on the due date of any amounts payable under any transaction documents.</p>
<b>Funding Participation</b>	<p>PAG has the right to participate in any pro rata issues of Shares by the Company with reference to its holding of Shares and Convertible Notes on a fully diluted basis.</p>
<b>Warrants</b>	<p>If the Company elects to drawdown less than the full \$150 million (<b>Undrawn Amount</b>) by the Final Draw Date (being three years after Financial Close) (<b>Issue Date</b>), then the Company will issue to PAG such number of Warrants in respect of new Shares having an Exercise Price of \$1.50 per Share (subject to customary adjustments), and an aggregate total Exercise Price equal to the Undrawn Amount. The key terms of the Warrants are</p> <ul style="list-style-type: none"> <li>• The Warrants will be issued to PAG for nil consideration.</li> <li>• The exercise price will be \$1.50 per Share, subject to customary adjustments (<b>Exercise Price</b>).</li> <li>• PAG is entitled on payment of the Exercise Price to acquire one Share for each Warrant exercised.</li> <li>• The Warrants are exercisable during the Exercise Period commencing on the</li> </ul>

	<p>Issue Date and continuing up to and including the Maturity Date (as defined above) (<b>Expiry Date</b>).</p> <ul style="list-style-type: none"><li>• The Warrants will not confer any shareholder rights (including voting or dividend rights) on the holder but the holder will have such rights in respect of Shares issued upon exercise of the Warrants.</li><li>• Shares issued on exercise of the Warrants will be fully paid and will rank equally in all respects with the ordinary shares on issue in Company (<b>Shares</b>) as at the date of exercise.</li><li>• The Warrants will not be quoted on the ASX or any other securities exchange.</li></ul>
<b>Governing law</b>	New South Wales