

PNG AIR LIMITED

NOTICE OF ANNUAL GENERAL MEETING

PNG Air Limited (the "Company") gives notice that the Annual General Meeting of Shareholders will be held on Wednesday 20 December 2017 at 10:30am at Lamana Hotel, 1 Famagusta Road, Waigani, National Capital District, Papua New Guinea.

ORDINARY BUSINESS:

1. Financial Statements and Reports

To receive and consider the financial statements and the reports of the Directors and the auditor for the Company for the year ended 31 December 2016.

2. Re-election of Murray Woo as a Non-executive Director

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Mr Murray Woo, who retires by rotation in accordance with clause 15.3(c) of the Company's Constitution and, being eligible, has offered himself for re-election, be elected as a Director of the Company."

3. Re-election of Edward Cleland Matane as a Non-executive Director

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Mr Edward Cleland Matane, who retires by rotation in accordance with clause 15.3(c) of the Company's Constitution and, being eligible, has offered himself for re-election, be elected as a Director of the Company."

4. Appointment of Auditors

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Deloitte Touche Tohmatsu be appointed as the Company's auditor from the conclusion of this meeting until the conclusion of the Company's next annual meeting and to audit the financial statements of the Company and the group financial statements during that period."

SPECIAL BUSINESS:

5. Increase in fees payable to Directors (excluding Executive Directors)

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That in accordance with clause 16.1(a) of the Company's Constitution, the maximum amount available for payment of fees to Directors (excluding Executive Directors) will be increased by PGK 750,000.00 to PGK 1,000,000.00 with effect from 1 January 2018."

Dated: 16 November 2017, by order of the Board:



John Biddle, Company Secretary



EXPLANATORY NOTES

These Explanatory Notes accompany the Notice of Annual General Meeting of PNG Air Limited to be held on Wednesday 20 December 2017 at 10:30am at Lamana Hotel, 1 Famagusta Road, Waigani, National Capital District, Papua New Guinea.

Information relevant to the business to be considered at the Annual General Meeting is provided in these Explanatory Notes and Shareholders should read this document in full.

ORDINARY BUSINESS

1. Financial Statements and Reports

The Company's financial statements and the reports of the Directors and the auditor for the Company for the year ended 31 December 2015 will be put before the Annual General Meeting.

There is no requirement for the Shareholders to approve these reports. However, Shareholders will be afforded a reasonable opportunity to ask questions or make comments about those reports and the management of the Company. Shareholders will also be able to ask the auditor about the conduct of the audit and the preparation and content of the independent audit report.

The Annual Report for the year ended 31 December 2015 has been made available to Shareholders.

2. Re-election of Murray Woo as a Non-executive Director

Mr Woo was appointed as a Director of the Company at the Annual General Meeting of the Company's Shareholders held on 25 February 2015, having first been appointed as a Director of the Company on 29 August 2012. Mr Woo was elected as Chairman of the Company's Board of Directors on 9 December 2014.

In accordance with clause 15.3(b) of the Constitution, Mr Woo is retiring by rotation. Being eligible, Mr Woo offers himself for re-election.

Mr Woo is a prominent business figure in Papua New Guinea, holding a number of high level public sector and private sector appointments. He is the Managing Director of Woo Textile Corporation Limited and was a founding Director of the Manufacturers' Council of Papua New Guinea, of which he is now the Chairman. He sits on a number of boards and committees, including the National Superannuation Fund (NasFund) and the Employer's Federation of Papua New Guinea. Mr Woo is a professional member of the Papua New Guinea Institute of Directors and a member of the Australian Institute of Company Directors.

The Directors (with Mr Woo abstaining) recommend that you vote in favour of this resolution.

3. Re-appointment of Edward Cleland Matane as a Non-executive Director

Mr Matane was appointed as a Director of the Company at the Annual General Meeting of the Company's Shareholders held on 25 February 2015, having first been appointed as a Director of the Company on 19 January 2015.



In accordance with clause 15.3(b) of the Constitution, Mr Matane is retiring by rotation. Being eligible, Mr Matane offers himself for re-election.

Mr Matane holds a Diploma in Science Majoring in Aviation Maintenance Technology. Mr Matane has substantial airline experience working with Air Niugini in senior engineering, flight engineering and engineering management positions and in managing relationships with major resource industry clients. Since 2012 Mr Matane has been Oilsearch's Aviation Logistics Co-ordinator.

The Directors (with Mr Matane abstaining) recommend that you vote in favour of this resolution.

4. Re-appointment of Auditor

The resolution to re-appoint the Company's auditor, Deloitte Touche Tohmatsu, to hold office from the conclusion of this meeting until the conclusion of the Company's next annual meeting is formally put to shareholders in accordance with section 190(1) of the Companies Act 1997.

The Directors recommend that you vote in favour of this resolution.

SPECIAL BUSINESS

5. Increase in fees payable to Directors (excluding Executive Directors)

It is proposed that the Company increase the maximum amount available for payment of fees to Directors (excluding Executive Directors) by PGK 750,000.00 to PGK 1,000,000.00 with effect from 1 January 2018.

The Company's Constitution provides at clause 16.1 that while the Company is a listed entity, which it is, the maximum fees payable to Directors (excluding Executive Directors) can only be increased by ordinary resolution of the Shareholders.

Currently the maximum payable in any year is PGK 250,000.00. This amount was set in 2008, the year the Company became a listed entity, and has remained unchanged since then.

It is considered appropriate to increase the amount available for payment of fees to PGK 1,000,000.00 for the following reasons:

- At the time that the current amount of fees payable was set most Board functions were performed by a Board Chairman who was effectively the controlling shareholder of the Company and by Executive Directors. For both the then Chairman and the Executive Directors, board fees were not their main remuneration or return in relation to services provided to the Company. The situation is different now, as the Board Chairman is not a shareholder in the Company, there are no Executive Directors and substantially greater involvement and time commitments are required from the Board Chairman and each non-Executive Director than in 2008.
- It is in the interests of the Company that the Board Chairman and other non-Executive Directors be appropriately remunerated for their services to the Company, to ensure that the Company is able to attract and retain appropriately qualified and experienced Directors.
- To the extent that such information is available from public sources, the current market level of fees paid to non-Executive Directors by other PNG listed companies is considerably higher than



the amounts available currently to be paid by the Company and supports a substantial increase in the amount available for payment.

- It is not anticipated that the whole of the increased amount available for payment of Board fees would be paid out to the current Board in a year. However, the Company wishes to be able to recruit one or more additional Directors to increase the range of skills of the Board, and to increase the independence of the Board. It is necessary if the Company is to be able to attract appropriate additional Directors for there to be funds available to properly pay such Directors and so it is necessary to have additional funds available to allow recruitment to proceed.

The Directors recommend that you vote in favour of this resolution.

