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Alliance Aviation Services (ASX code: AQZ)

Alliance Aviation signs new 5-year contract

- Extending long term relationship with a key customer
- Gaining new and expanded contracts to maintain revenues
- Achieving major cost reductions and efficiencies

Alliance Aviation Services Limited (Alliance or the Company) today announced that it has signed a new contract with BHP Billiton Olympic Dam for a further 5 years.

The Olympic Dam contract, together with other new and extended contracts, is enabling Alliance to maintain the level of total revenue while achieving major cost reductions and efficiencies.

The new contract with Olympic Dam means that Alliance will continue to service the Olympic Dam operations and the local community with regular services between Adelaide and Olympic Dam beyond the 2016 expiry of the current contract to June 2021. Under the contract, Alliance will operate approximately 15 services a week with the ability to increase this at short notice should there be an increased demand from either Olympic Dam or the community.

Alliance Managing Director Scott McMillan said: "Olympic Dam is an important partner of Alliance and this contract is material for Alliance. Alliance is passionate about long term relationships with all its customers and BHP Billiton is a part of this."

Alliance and Olympic Dam have been working together as partners to develop a new delivery model which will reduce operating costs for Olympic Dam. The reduced operating costs are achieved by simplifying and streamlining a customised product offering which reflects the needs of Olympic Dam.

Mr McMillan said: "This new contract is a reflection of the flexibility that we at Alliance are able to offer our customers, and of our ability to embrace change and respond to the changing needs of the industry and the local community."

"The existing contract originally started in 2007 and will expire in June 2016. As we have done in the past, we have been successful in negotiating the new contract in advance of the original expiry. We believe that this success is not only a product of responding to the customers' needs but also the reliability and on time performance of the Alliance product."

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Other Contract Performance

Over the past two months Alliance has also;

- Extended its contract with Citic Pacific Mining Management for a further 12 months for their services between Perth and Karratha in Western Australia.
- Maintained total revenue by gaining contracts for other new services in Western Australia to Christmas Creek and expanded services between Perth, Newman and Port Hedland
- Achieved an increased utilisation of existing aircraft through the new contracts.
- Lost no contracts during this same time.

Business Strategy and Outlook

Alliance continues to maintain a core group of strategies which include:

- Maintaining existing contracts and expanding into new markets

Alliance held revenue steady in 2014-15 in the face of the sustained downturn in the resources industry. Maintaining existing revenues is integral to forming the recent stable outlook for Alliance. The material new contract with Olympic Dam is an important part of this outlook, along with other contract wins as Alliance expands its operations across a diverse contract base.

- Focussing on delivering the restructured maintenance plan

Heavy maintenance has been moved to the experienced Fokker servicing company, Lufthansa subsidiary Austrian Technik Bratislava, with immediate case savings and reduced capital expenditure for aircraft maintenance.

- Continuing to focus aggressively on costs and efficiency

An 18% reduction in the workplace in 2014-15, improved fleet utilisation by the sale of two F100 aircraft this year, a consequent \$10 million reduction in debt, and successful debt refinancing on substantially unchanged terms.

Ends

Alliance Aviation Services Limited

For more information contact:

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About Alliance Aviation

Alliance Aviation is Australia's leading provider of fly-in, fly-out ("FIFO") transportation.

The Company provides an essential service to the mining and energy industry – the safe and efficient air transportation of their employees and contractors to and from remote locations. Alliance is also focused on developing new markets with an increasing exposure to markets outside of the resources sector.

The company recently retained its Flight Safety Foundation "BARS Gold" status, the first such carrier in Australia to be so recognised.

The Company will now operate a fleet of 15 Fokker 100, 8 Fokker 70LR jet aircraft and 5 Fokker 50 turboprops at industry leading on time performance.

Alliance flies workers to and from some of the largest mining operations in Australia for a predominantly "blue chip" mining and energy customer base, and also provides ad-hoc charter, aircraft wet lease and aviation engineering services to a range of corporate, tourism and government customers throughout Australasia.

The Company has a national footprint with operations now based in Brisbane, Townsville, Cairns, Melbourne, Adelaide, Perth and Auckland.

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