



Alliance Aviation Services Limited
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Alliance Aviation Services Limited (ASX Code: AQZ)

TRADING UPDATE AND COVID-19 REPOSE NO. 2

Virgin Australia (VA) Wet Lease Agreement

In response to the unprecedented changes to domestic airline operations required by Commonwealth, State and Territory Governments, VA has approached Alliance Aviation Services Limited (The “Company” or “Alliance”) to request a suspension of services provided under the existing Wet Lease Agreement.

VA has confirmed the last of the services to be operated prior to the suspension will be as of close of operations on Tuesday, 24th March 2020. Services impacted will be all from Brisbane to the following destinations:

- Alice Springs
- Cloncurry
- Emerald
- Mount Isa
- Port Moresby
- Rockhampton

Details of schedule changes affecting currently booked passengers will be provided directly from VA to their passengers.

The impact of this suspension of services will be to reduce block hours by 4,500 on an annualised basis for the period of the suspension. The terms relating to the suspension of the agreement are currently being negotiated between VA and Alliance.

Alliance is currently reviewing the impact of this reduction on operational staff and where appropriate the Company’s various leave provisions will be enacted where it is determined there are surplus staff.

Regular Public Transport (RPT)

Given the requirements of the various governments on “Non-Essential Travel”, continued operations of RPT services from Brisbane to Bundaberg, Gladstone and Port Macquarie will be reviewed in detail over the next few days and a further ASX announcement released once the Company has been provided with a clearer understanding of the requests of Government.

The Company owes its very existence to regional Australia and any decisions taken to reduce services under the current circumstances will not be taken lightly.

Fly in Fly Out (FIFO) Operations

Given the changes and potential changes outlined above, Alliance will have additional fully crewed capacity available to transfer across to its FIFO operations which operate nationally. This will be a combination of mainline routes connecting to FIFO flights and direct flights from major capital city airports.

The Company is uniquely positioned, in that it owns all its aircraft which are operated to the world leading standards required by the resource industry.

Alliance is of the view that a significant proportion of the additional capacity available will be absorbed into FIFO operations as major resource companies move to social distancing on existing flights. That policy requires more flights to be operated.

Alliance is a proud, essential service that provides safe on-time travel of FIFO workers to and from Australia's large mining operations. The continual operation of the Australian resource sector is vital for the Australian economy and will fund many of the Government (both Federal and States) initiatives.

Charter

The Company is uniquely positioned to supply tailored charter services to comply with the new regulatory framework which is now in place.

Substantial demand for these services is already apparent and again this will assist in absorbing surplus capacity from wet lease and potentially RPT operations.

Summary

Scott McMillan reiterated that Alliance remains in a strong position to respond to the COVID-19 pandemic with the following attributes:

1. A strong financial position with no lease or material loan obligations.
2. Owns all of its aircraft enabling maximum flexibility in utilisation.
3. Owns a significant inventory of spare parts, making it self-reliant.
4. Has the operating leverage and business model to able to respond by changing flight routes and redeploying aircraft and crew.
5. Has great staff and entrepreneurial culture with a proven track record of being nimble and responding to difficult circumstances.
6. A strong customer base of large resource customers with strong balance sheets and significant mining operations

[ends]

This trading update has been approved by the Alliance Board of Directors.