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**Alliance Aviation Services Limited (ASX code: AQZ)**

- **Awarded long term BHP Billiton Iron Ore FIFO contract; and**
- **Financial performance update (including FY15 guidance)**

Alliance Aviation Services Limited ("**Alliance**") has entered into a five-year contract (inclusive of two one-year options) to supply dedicated scheduled FIFO charter flights for BHP Billiton Iron Ore Pty Limited ("**BHPIO**").

The contract reinforces visibility of future revenue and earnings with Alliance to fly 36 sectors per week between Perth and the BHPIO owned and operated Coondewanna and Barimunya airports.

The contract is Alliance's first with BHPIO and expands on a 12-year relationship with BHP Billiton Limited. This contract will be the largest customer contract ever entered into by Alliance.

The contract will utilise Alliance's existing Fokker 100 and Fokker 70LR jet aircraft, improving asset utilisation of the existing fleet. Alliance will also continue to provide ad hoc services in addition to the scheduled flights.

This contract represents a significant proportion of the recent BHPIO FIFO tender. It follows a 12 month period in which Alliance provided capacity for ad hoc mine shutdowns.

Alliance Managing Director, Scott McMillan, said, "The contract win highlights the flexibility of our fleet, in particular the ability to deliver capacity at peak times with our 100 seat and 75 seat Fokker aircraft."

"BHPIO FIFO passengers will also enjoy the added comfort of the Alliance Lounge which opened in March 2013 at Perth Airport's new Terminal 2."

The flying schedule will now be fully operational by 9 June 2014.

"The BHPIO contract again increases our share of FIFO services to major miners for operations that are in long term production. We have always focused on these types of contracts and these have served us well through the various stages of the commodity cycle." Mr McMillan said.

## Revenue and earnings visibility

The BHPIO contract complements Alliance's existing customer contracts by:

- Further enhancing visibility of future revenue and earnings; and
- Improving aircraft utilisation and the other assets employed as part of the business.

Alliance's 15 largest committed customer contracts (by gross revenue) for FIFO operations until June 2017 represent between 70% and 75% of total guidance revenue[1] for FY15 (Figure 1). Many of these contracts extend beyond 2017.

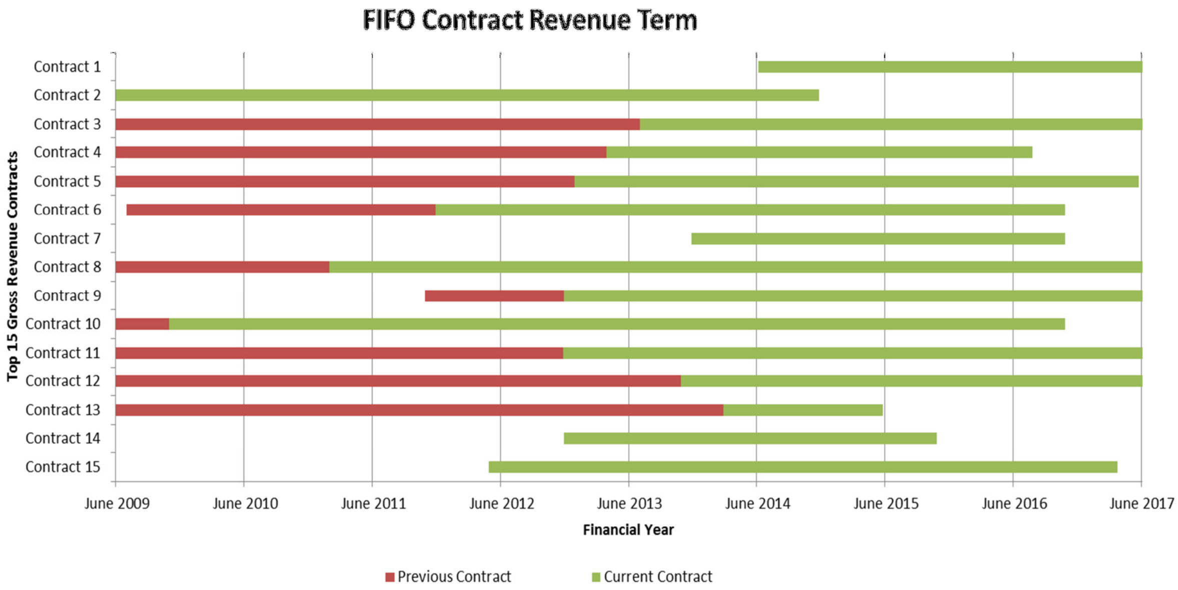


*Figure 1*

Alliance has a strong track record of customers electing to rollover existing contracts. This is a result of a safe and reliable offering, industry leading on-time performance and focussed customer service.

As at 30 April 2014, the average length[2] of Alliance's customer relationships was 6.6 years. This has increased from 5.6 years in September 2011.

With the growth in the contracted revenues between FY11 and FY15, Alliance has been successful in maintaining the average[3] remaining term of current contracts at 3.8 years (3.9 years as at September 2011). This is across a wider customer base.

Current contracts represent a large percentage of forecast revenue for the next two years.

[1] Includes revenue from existing contracts only.
[2] Weighted average by forecast FY14 revenue.
[3] Weighted average by guidance FY15 revenue

**Financial Outlook**

- ***Continued strategy of focusing on long term FIFO contracts for major mines that are in production;***
- ***FY14 has been a year of consolidation to establish the platform for FY15;***
- ***As a result of current contracts there is a strong financial outlook for FY15 and beyond; and***
- ***Continued strategy to improve fleet utilisation***

Alliance is fortunate that unlike most aviation business models, it has visibility of revenue from contracted income. However, with recent delays in the start dates from major contract wins, our forecast ability has been impacted.

Alliance announced on 20 February 2014, that the changing revenue mix had impacted the first half results and that delays to the start dates for a number of forecast contracts had further impacted current year earnings.

Continued delays in start dates in new contract wins have caused the outlook for the FY14 NPAT to be revised. The amended NPAT outlook for FY14 from operations is forecast to be between $12.0 million and $13.0 million. Importantly all start dates to deliver the forecast for FY14 have now been confirmed.

There are three principal reasons for this revised forecast compared with the February 2014 forecast:

- The delayed start of new contracts compared with original expectations;
- New contract opportunities which were originally forecast to have been secured prior to 30 June 2014 which have not yet been contracted; and
- Tenders for new business which were forecast to have been issued however the process has not yet commenced.

During this period Alliance has continued to maintain operational capacity and related costs despite a lower utilisation of aircraft. This is primarily due to resourcing in anticipation of delivering the BHPIO contract.

Maintaining operational readiness and flexibility is an important part of securing new contracts. This includes the significant cost of training flight crews and maintaining aircraft.

Alliance estimates that the cost of maintaining these resources has had an adverse impact of approximately $1.8 million on the NPAT. Additional fixed costs have also been incurred to maintain aircraft in anticipation of new contract revenues.

Alliance has continued to invest to secure future opportunities and growth.

During the past two months, Alliance has been successful in extending a number of smaller contracts and expanding flying for some existing contracts.

Given the start dates of new contracts which have been awarded or being performed are now set, Alliance is able to provide guidance with greater certainty for current contracts for FY15.

Alliance forecasts that the NPAT for FY15 for **existing secured contracts that will be operating for the full year** will be in the range of $18 million to $21 million. This guidance does not include any new contracts which Alliance may win during the year.

Alliance has a pipeline of FIFO, Charter and other opportunities which it continues to pursue. These are not included in the FY15 NPAT guidance above.

Alliance has sufficient existing aircraft capacity to deliver contracts which are currently being pursued.

Consistent with the guidance in February 2014, Alliance expects the financial result for FY15 to exceed the FY13 result.

*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. Alliance 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.*

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

*The Company owns a fleet of 18 Fokker 100 and seven Fokker 70LR jet aircraft and six Fokker 50 turboprops at industry leading on time performance and reliability.*

*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 and government customers.*

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