

21 June 2016

Name Surname
Address line 1
Address line 2
City State Postcode

Dear Shareholder

Notification to ineligible shareholders – Entitlement offer

Airlines of Papua New Guinea Limited (the "**Company**") refers to previous announcements regarding a proposed entitlement offer of shares and options in the Company ("**Entitlement Offer**").

Under the Entitlement Offer, all Eligible Shareholders (as defined below) will be offered the opportunity to subscribe for 5 new fully-paid ordinary shares in the Company ("**New Shares**") for each existing fully-paid ordinary share in the Company they hold, at an issue price of 10 toea per New Share. For each New Share subscribed for, an Eligible Shareholder will receive 2 free options ("**New Options**"), with each of those options allowing for the issue of 1 new share in the Company at a price of 2 toea per share payable on exercise of a New Option. The New Options will be exercisable at any time within 5 years after the date of issue.

For the purposes of the Entitlement Offer, an "**Eligible Shareholder**" is a person who is registered as a holder of fully-paid ordinary shares issued in the capital of the Company as at 5.00pm (Port Moresby time) on the Entitlement Offer record date of 4 July 2016 and whose address in the Company's share register is in the Independent State of Papua New Guinea.

You are receiving this letter because you have been identified as a shareholder in the Company who is not an Eligible Shareholder (an "**Ineligible Shareholder**"). Therefore, you are not eligible to participate in the Entitlement Offer and you will not be sent a copy of the prospectus. You do not need to do anything in response to this letter.

The Company has decided, pursuant to POMSoX Listing Rule 7.7.1(a), that it would be unreasonable to make offers under the Entitlement Offer to Ineligible Shareholders, having regard to:

- the number of Ineligible Shareholders;
- the number and value of New Shares that Ineligible Shareholders would be offered; and
- the cost of complying with the legal requirements, and requirements of regulatory authorities, in jurisdictions outside of the Independent State of Papua New Guinea.

Yours sincerely,

John Biddle
General Counsel & Company Secretary

