

Appendix 3B

New issue announcement

The information in this form must be given to POMSoX if an entity proposes to issue ⁺securities. Information or documents not available now must be given to POMSoX as soon as available.

Information and documents given to POMSoX become POMSoX's property and may be made public.

Name of entity

Airlines of Papua New Guinea Limited (the "Company")

We (the entity) give POMSoX the following information.

Part 1 - All issues

1 ⁺Class of ⁺securities to be issued

Fully-paid ordinary shares ("Shares")
Options to subscribe for fully-paid ordinary shares ("Options")

2 Number of ⁺securities to be issued

200,000,000 Shares
400,000,000 Options

3 Issue price of the ⁺securities

Shares: PGK 0.10.
Options: Nil.

4 If the ⁺securities are ⁺convertible, a summary of their main terms

Shares: Not convertible
Options: each Option confers the right to subscribe for 1 Share at an exercise price of PGK 0.02 each. The terms of the Options are set out in the Company's Notice of General Meeting and Explanatory Memorandum released to POMSoX on 14 November 2014.

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|---|---|---|
| 5 | The amount to be raised by the issue | Shares: PGK 20,000,000 Options: Nil. |
| 6 | Is there a right to accept or retain over-subscriptions? If so, give details | No |
| 7 | Purpose of the issue | Working capital, commitment fee for the ATR Acquisition and expenses of rebranding the Company associated with the ATR Acquisition. |
| 8 | Will the *securities participate in dividends (in the case of a trust, distributions) or interest? If so, give the date from which they will participate, and the extent to which they will participate. | Shares will participate in any dividends from their date of issue, pari passu with other ordinary shares issued by the Company. Options will not participate in any dividends. |
| 9 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests). | No different dividend policy applies to the Shares than applies to all ordinary securities of the Company. |

Part 2 - Issue to a class of security holders

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|----|---|----------------|
| 10 | If the issue is to a *class of *security holders, is it renounceable or non-renounceable? | Not applicable |
| 11 | Ratio in which the *securities will be offered | Not applicable |
| 12 | *Class of *securities to which the offer relates | Not applicable |
| 13 | *Record date to determine entitlements | Not applicable |

14 Will holdings on different registers be aggregated for calculating entitlements?

Not applicable

15 Policy for deciding entitlements in relation to fractions

Not applicable

16 Names of countries in which the entity has *security holders who will not be sent new issue documents

Note: Security holders must be told how their entitlements are to be dealt with.

Cross reference: rule 7.7.

Not applicable

17 Closing date for receipt of acceptances or renunciations

18 Places where applications may be lodged

Not applicable

19 Amount payable on acceptance

Not applicable

20 If the *securities are partly paid, future call dates and amounts payable

Cross reference: rule 2.1 Condition 4.

Not applicable

21 Names of any underwriters

Not applicable

22 Amount of any underwriting fee or commission

Not applicable

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| <p>23 Are there any clauses in an underwriting agreement that may affect the obligations of an underwriter?</p> <p>If so, give details, and identify those that may be invoked before the issue opens and those that may be invoked after it opens</p> | <p>Not applicable</p> |
| <p>24 Names of any brokers to the issue</p> | <p>Not applicable</p> |
| <p>25 Fee or commission payable to the broker to the issue</p> | <p>Not applicable</p> |
| <p>26 Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of *security holders</p> | <p>Not applicable</p> |
| <p>27 If the issue is contingent on *security holders' approval, the date of the meeting</p> | <p>Security holders' approval was received at the Special Meeting on 18 December 2014.</p> |
| <p>28 Date documents will be sent to *persons entitled</p> | <p>Not applicable</p> |
| <p>29 If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders</p> | <p>Not applicable</p> |
| <p>30 How will entitlements not taken up by *security holders be dealt with?</p> | <p>Not applicable</p> |
| <p>31 Will the securities be quoted?</p> <p>Cross reference: rule 2.8.</p> | <p>Application for quotation will be made</p> |

32 Date rights trading will begin (if applicable)

Not applicable

33 Date rights trading will end (if applicable)

Not applicable

34 How do *security holders accept their entitlements in full?

Not applicable

35 How do *security holders sell their entitlements *in full* through a broker?

Not applicable

36 How do *security holders sell *part* of their entitlements through a broker and accept for the balance?

Not applicable

37 How do *security holders *dispose of their entitlements (except by sale through a broker)?

Not applicable

Sign here:



Date: 23 December 2014.....

(~~Director~~/Company secretary)

Print name: John Biddle.....

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