

MEDIA RELEASE

Thursday, 21 February 2008

O'CONNOR AIRLINES ASSETS SOLD FOR \$2.4 MILLION

The majority of assets of failed South Australian regional airline service, O'Connor Airlines, have been sold to an undisclosed buyer for more than \$2.4 million.

However, the sale does not include the shares in O'Connor's Air Services Pty Ltd, which holds the Airline Operator's Certificate (AOC).

These shares are in the process of being sold to a separate purchaser.

The two sale transactions will support a restructuring of the O'Connor Group's affairs under a Deed of Company Arrangement (DOCA).

Creditors of the airline – which ceased flights in December last year – voted today at a Creditors Meeting to execute a DOCA and thereby the terms of sale.

The sale includes:

- + Seven aircraft – three Jetstream J32 Turbo Props, a Cessna Conquest, Cessna 210 and two Cessna 150s.
- + A hangar facility at Mt Gambier airport.
- + All maintenance and office plant and equipment.
- + Aircraft spare parts, and;
- + Commercial and warehouse properties at Mt Gambier.

"Today's announcement represents one of the best possible outcomes from a very unfortunate business collapse," Administrator, Mr Sam Davies, of McGrathNicol, said today.

"Our present expectation is that the DOCA means the Company's secured creditors will be paid in full, staff will receive their full entitlements, and unsecured creditors will receive a 5% return.

"This outcome was not available when the airline was shutdown in December 2007.

"We are very pleased that creditors have agreed to the DOCA, and sale of the Company's assets.

"It's unfortunate that despite significant initial interest, there were no offers to acquire the airline as a going concern

"O'Connor Airlines was a well-known and successful business in the region for more than three decades.

"Ongoing trading losses, declining customer support, flight crew shortages and significant aircraft maintenance issues all contributed to the eventual demise of the business."

About O'Connor Airlines

O'Connor Airlines – a regional airline servicing flights from Adelaide to Mount Gambier and Port Augusta in South Australia and Mildura in Victoria – ceased operations in December last year, after being placed in Voluntary Administration at the request of the Company's Directors in November.

The airline had provided regional airline services for 34 years, operating flights under a licence from Adelaide to Port Augusta as well as servicing the Mildura and Mount Gambier routes.

About McGrathNicol

McGrathNicol is a leading independent advisory firm specialising in Corporate Advisory, Forensic, Transaction Services and Corporate Recovery.

The Company has approximately 240 staff with offices in all major Australasian cities.

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