

CAMERON & COMPANY
Investment Bankers

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20 August 2001

Gary Toomey
Chief Executive
Air New Zealand Limited

Dear Gary

Two key issues have arisen with respect to the Government's consideration of the SIA proposal for the recapitalisation of Air New Zealand.

- ▶ The amount of capital required; and
- ▶ Whether or not the acquisition of Virgin Blue is an essential part of the Ansett turnaround plan.

Capital Required

From the Government's perspective two issues will be key:

- ▶ The Government will not wish to approve a proposal that carries a significant risk of ongoing financial difficulties and/or a further relitigation of foreign ownership levels.
- ▶ The Government would not wish to be put in the position of approving a proposal that the directors subsequently decide is inadequate for them discharging their responsibilities with respect to the rights issue prospectus.

We believe the best way to address these issues for the Government is for Air New Zealand management to provide us with its latest forecasts for the Group following the proposed capital raising. It would be useful if you could provide commentary on the key risks associated with these forecasts.

It would also be useful if the forecasts could identify how the business plan might change if different levels of capital are made available and how it might change depending on whether or not Virgin Blue is acquired.

Virgin Blue

It is not clear to us that there is unanimity on the question of whether the acquisition of Virgin Blue is 'critical' or 'highly desirable' with respect to the Ansett turnaround plan.

The Government is likely to require that this matter be resolved prior to it finally considering proposals for the recapitalisation.

It would be helpful if we could have management's views on both the capital requirements and Virgin Blue by the middle of this week. We will also require the Board's views on these issues before the end of this week.

I have spoken to Dr Farmer separately on these issues and he undertook to arrange a Board meeting to address both matters.

Please call Murdo or me if you have any queries.

Yours sincerely

CAMERON & COMPANY LIMITED

Rob Cameron

Partner

cc *Dr J Farmer QC*

Chairman