

MARTIN AIRCRAFT COMPANY LIMITED
ASX ANNOUNCEMENT



INDUSTRY: Aviation

**MARTIN AIRCRAFT
COMPANY LIMITED**

A company registered in
New Zealand with company
number 901393
(ARBN 601 582 638)

39 Ballarat Way, Wigram
Christchurch 8042
New Zealand
Ph: +64 3 377 8584
www.martinjetpack.com

COMPANY CONTACT

James West
CEO & CFO

ASX Code: MJP

BOARD OF DIRECTORS

Jon Mayson
Non-Executive Chairman

Steve Bayliss
Non-Executive Director

Hamish Bell
Non-Executive Director

Dr Liu Ruopeng
Non-Executive Director

Dr Luan Lin
Non-Executive Director

Further information

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2017 Annual General Meeting

31 October 2017

Martin Aircraft Company Limited (MJP) is today holding its 2017 Annual General Meeting.

Attached are

1. The Chairman's Introduction
2. The CEO's Address
3. The Annual General Meeting Presentation Slides

James West

CEO

1. Chairman's Introduction

Following the restructure in August 2016 the focus of the Company was narrowed to assembly, testing and delivery of the Series 1 aircraft.

To date the business has three aircraft currently flying the test programme and this testing has shown the aircraft to have excellent airworthiness characteristics demonstrating a step change improvement in both flight performance and aircraft reliability from the earlier prototypes.

In summary, whilst the current engine has proved sufficient for test and capability demonstration purposes, without further investment the reliability is not adequate for sales to initial customers such as first responders or specialist operators where a reduced airworthiness requirement may be acceptable. Learning from the test programme has provided significant opportunities for further design refinement and improvement.

Customer feedback has shown that there continues to be commercial interest in the aircraft. But whilst potential western-based customers are seeking a certified aircraft with an alternative proven engine, KuangChi Science Limited (KCS) has confirmed that it believes the uncertified Series 1 aircraft is sufficiently advanced, albeit with some improvements to the current engine, to demonstrate and achieve revenues in China.

The Board has determined that the immediate priority is to focus on improving the performance of the Series 1 aircraft, particularly with respect to improvements to the RT1200 engine, thereby enabling repeatable demonstrations in China to enable near-term revenue generation, commercialisation and capital raising in China. The decision to transition to a Series 2 aircraft and alternate engine option has been deferred to enable focus on successful commercialisation and capital raising in China.

With respect to cash position and future funding, at the beginning of September 2017 the Company had sufficient cash resources to enable trading until the end of October 2017. As noted in the Annual Report, in order to enable the Company to continue trading for 12 months beyond October 2017 and to continue product development and commercialisation, the Company has sourced a HK\$57.28 million (c.NZ\$10m) loan funding facility from KCS. In the interim a commercial pathway will be confirmed including a capital raising plan to enable funding of the business and repayment of the loan.

Governance

Steve Bayliss and I have considered the future demands of the Company as it aims to transition into regular capability demonstrations, continue development of the Jetpack's technical performance, and transition to a global aviation company. These needs will require extensive international demands and expertise in aviation pathways on a global scale. After careful consideration we have determined that the time is right to step aside to allow the Board to bring in new talent to augment the skills required to guide the Company in the future.

I am pleased to announce the Board has appointed Dr Lin Luan as the new Chairperson to replace me. I would like to congratulate her on her appointment.

The Board has accordingly reduced from five to three Directors; however, the company plans to immediately commence a search for two additional Directors with the necessary global aviation and capital raising experience needed to take the business forward.

Finally, I would like to acknowledge and thank the hard-working team at Martin Aircraft, our suppliers for their continued support, and you as shareholders, in particular KuangChi Science Limited, for your ongoing support.

I will now ask James West, our CEO, to speak to the Annual Report.

Presentation of the Annual Report for the year ended 30 June 2017 and Company Update

CEO Address

In relation to the financial position and performance of the Company, at balance date 30 June 2017 and after impairment of NZ\$17.6 million intangible assets, the Company had net assets of NZ\$10.8 million with the majority of this value comprising cash and bank deposits of NZ\$9.8 million. The total group cash reserves as of today is NZ\$5.5 million. The first loan draw request of HK\$14.32 million (circa NZ\$2.6m) has been made and is expected to be received shortly.

The Group's operating loss after tax for the year was NZ\$24.0 million. The material items of expenditure relate to NZ\$17.6 million impairment of intangible assets, employee and consultant expenses of \$4.7 million, operating lease expenditure of \$0.48 million, total listing costs of 0.43 million, travel costs of \$0.35 million and marketing costs of \$0.3 million.

With respect to the non-cash \$17.6 million impairment of intangible assets, the Directors believe there is value inherent in the intangible assets. However, the value of intangible assets was determined with reference to future cash flows, which are based on subjective and highly sensitive assumptions, so the Directors decided to take a prudent view and will fully impair the NZ\$17.6 million value of the intangible assets to nil at balance date. (Refer to Note 2(a)(ii) of the Financial Statements for further information).

No dividends or bonus issues were declared during the period.

The Directors have adopted the Going Concern assumption - that is, they can reasonably expect that the Company will have access to adequate resources to continue operations for the 12-month period from the date of signing the Annual Financial Statements.

A key consideration in determining that the Company is a going concern was the provision of an additional circa NZ\$10 million in funding to underpin execution of the annual operational plan, which was secured by way of a binding funding commitment from KCS in the form of a HK\$57.28 million (approximately NZ\$10m) loan facility. That facility can be drawn down quarterly over the next 12 months to provide adequate funds to the Company to enable continued development and commercialisation of jetpacks.

Although the additional funding from KCS provides sufficient funding to see the Company through the next 12 months in line with continuing to meet key milestones and development of the Jetpack, additional funding will be required to repay the loan and to continue the development and certification pathway beyond this point.

The Directors have noted that material uncertainty exists that may cast doubt on the Company's and Group's ability to continue as a going concern, and therefore the Company

may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Company continues to actively manage the business' key competencies and structure to deliver the agreed commercial pathway, including active management of the cost base. Headcount has reduced from 89 at the time of the last AGM to 64 as of today. The company will continue to manage resources carefully and is actively considering further steps that might be taken to reduce costs whilst maintaining focus on operational imperatives. This may include reviewing significant items of expenditure such as the costs of maintaining a listing on the ASX platform as opposed to alternate liquidity mechanisms; if the latter is proactively considered the Company would seek shareholder approval for such a material course of action.

Current Technical Position of the Jetpack

Manned Flight and Demonstration - Series 1 Airworthiness

After achieving successful free flight of the P14 unmanned test vehicle in June the Company progressed into free flight envelope expansion. Build of the first manned aircraft was completed in July.

The New Zealand Civil Aviation Authority (CAA) has granted the Company a conditional Certificate of Airworthiness enabling the Series 1 aircraft to commence manned flight within its test programme. Manned flight and capability demonstrations commenced in August and remain ongoing. During testing the Jetpack has shown excellent airworthiness characteristics and a step change improvement from the earlier Prototype 12 Jetpack. This is a significant milestone in physically proving the flight capability and performance of the aircraft.

Frequent manned testing has yielded significant quantities of data with respect to ducted fan flight characteristics and overall aircraft performance. This continues to identify and enable ongoing refinement and performance improvements.

It is anticipated the flight envelope and CAA flight limitations will be progressively expanded in the future based on results from aircraft testing and validation of aircraft performance.

Series 1 Aircraft

At the start of September 2017 KCS undertook an on-site technical review of the Series 1 aircraft and from this have determined that they believe the uncertified Series 1 aircraft with a programme of RT1200 engine reliability and performance improvements is sufficiently advanced to generate revenue via repeatable show concept demonstrations and sales into the first responder market in China.

In support of the commercialisation plan, Martin Aircraft will undertake an initial capability demonstration in Shanghai utilising the Series 1 aircraft in conjunction with delivery of three flight tested Series 1 aircraft into China.

Series 2 Aircraft and Alternate Engine Options

As previously communicated testing has now confirmed limited performance with respect to the current rotary engine. Key issues encountered are limited 30-hour life and 10-hour time between overhaul, and as a consequence a significant increase in operating costs. It is believed that the existing RT1200 engine performance could be improved with further investment and a development programme to enable commercialisation of the Series1 aircraft is being worked on as a priority.

Following extensive discussions with potential customers outside China, feedback has been that for commercial operation, a turbine engine is the preferred option to power the aircraft. Also, the Company does not believe that meaningful sales in western markets can be achieved until the aircraft is certified. The Company has worked through a detailed study of a potential alternative turbine engine in conjunction with reviewing options for further development of the RT1200 and the requirements to integrate it into the Jetpack overall architecture. However, due to the importance of establishing revenue and undertaking a successful capital raising in China it has been decided to defer commercialisation for a Series 2 aircraft with an alternative engine to enable the Company to focus on the China commercial program with the Series1 aircraft.

To this end it is important the Company continues repeatable Series 1 manned capability demonstrations and commences the commercial programme in China.

Certification Update

Certification of the Jetpack remains a long-term goal and will require further investment and development of the aircraft. The Series 1 aircraft has taken significant steps towards supporting this objective, being the first aircraft to be built by Martin Aircraft that has been wholly designed using CAD and that has been built under configuration control using many aerospace standard processes. This has enabled the collection of large quantities of robust data during testing, allowing the Company to validate the behaviour and performance of the aircraft. Furthermore, this data will be used to model and identify future design requirements and performance improvements as well as providing input to future certification requirements.

Looking Forward

It must be noted that the Company has proven the Series 1 aircraft ducted fan flight characteristics and performance through the test programme. The Series 1 aircraft will be utilised for further test and capability demonstrations including revenue generation in China for paid flight demonstrations and sales to first responders. However, it is also recognised

that significant aircraft redesign, including a commercially viable alternate engine, will be required prior to achieving meaningful sales outside of China.

The Company's near-term objectives are

- continued flight test and envelope expansion of the Series 1 aircraft
- an improvement programme for the Series 1 aircraft to enable operational readiness in support of the China Show Demonstration concept, commencing with the Shanghai flight demonstration and commercialisation via show concept and initial sales to first responders in China
- agree the engine development programme and investment in Rotron RT1200 engine to enable performance and reliability improvements in support of the China commercial programme
- in conjunction with KCS and China flight demonstrations undertake a wider capital raising programme to enable loan repayment and commercialisation of the aircraft.

END

To be read in conjunction with the attached presentation slides.

ABOUT THE MARTIN AIRCRAFT COMPANY LIMITED

Martin Aircraft Company Limited (Martin Aircraft) is currently developing the Martin Jetpack, the world's first practical jetpack, with potential search and rescue, military, recreational and commercial applications, both manned and unmanned. The Martin Jetpack was initially conceived and developed by Glenn Martin in Dunedin in 1981. This led to the founding of Martin Aircraft Company in 1998.

The Martin Jetpack is a disruptive technology; much like the helicopter was when first developed, with significant capabilities and is able to be flown either by a pilot or via remote control. The jetpack can take off and land vertically (VTOL) and because of its small dimensions, it can operate in confined spaces (such as close to or in between buildings), near trees or in confined areas that other VTOL aircraft such as helicopters cannot access.

More detailed information about Martin Aircraft and the Martin Jetpack is available at www.martinjetpack.com

MARTIN AIRCRAFT COMPANY LIMITED

ASX ANNOUNCEMENT



MARTIN AIRCRAFT COMPANY Annual General Meeting

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31 October 2017



TOPICS

Chairman's Introduction

CEO's Address

Resolutions

Questions



DIRECTORS



Jon Mayson

Chairman
Non-Executive Director
Independent



Dr Liu Ruopeng

Non-Executive Director
Non-Independent



Dr Luan Lin

Non-Executive Director
Non-Independent



Steve Bayliss

Non-Executive Director
Independent



Hamish Bell

Non-Executive Director
Independent

CHAIRMAN'S INTRODUCTION

CEO'S ADDRESS

FINANCE – ANNUAL REPORT

At balance date:
(NZD)

Net Assets

 \$10.8m

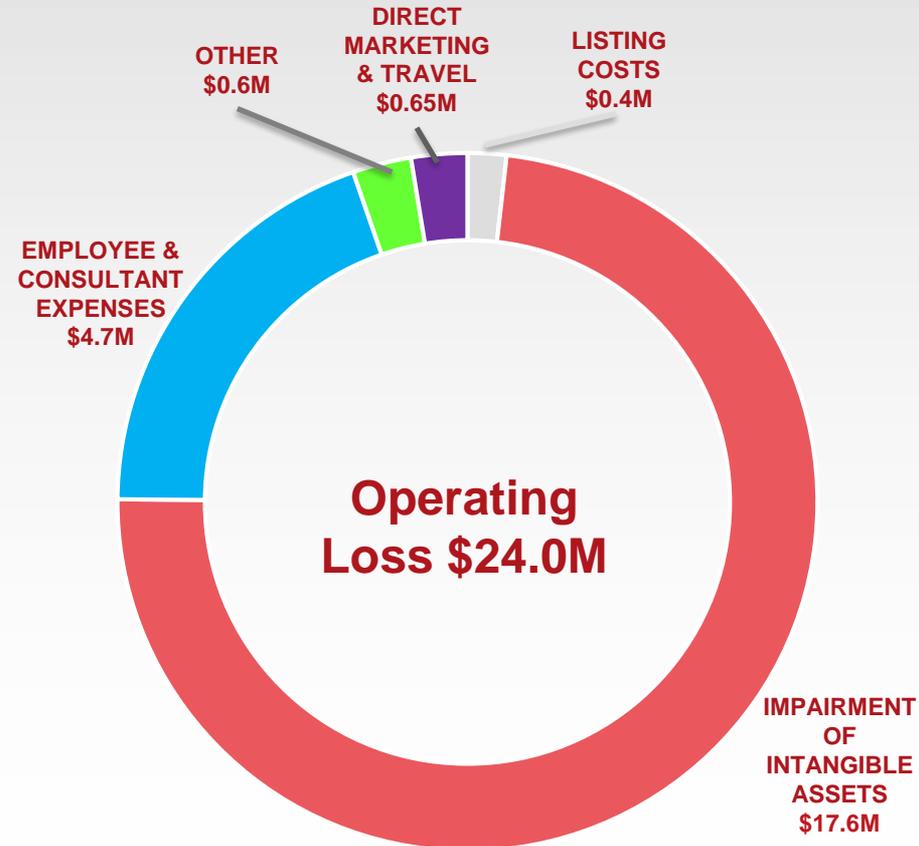
Cash and Bank Deposits

 \$9.8m

FINANCE (CONT.)

Directors decided to take a prudent view and fully impair the NZ \$17.6 million value of the intangible assets to nil at balance date. The Directors believe there is value inherent in the intangible assets. However, the value of intangible assets was determined with reference to future cash flows, which are based on subjective and highly sensitive assumptions.

Going concern assumption - a key consideration in determining the going concern assumption was the provision of additional funding, which was secured by way of a binding commitment from KCS in the form of a HK\$57.28m (approximately NZ\$10m) loan facility. The loan facility can be drawn down quarterly over the next 12 months to provide adequate funds to the Company to enable continued development and commercialisation of jetpacks.



TECHNICAL UPDATE

Series 1 Aircraft Progress

- P14 first free flight in June
- Certificate of Airworthiness granted August
- Series1 manned flight test and demonstration commenced August



Testing to Date

- Excellent airworthiness
- Significant performance and flight data generated
- Step change in reliability
- Flight envelope planned to be progressively opened up as testing progresses

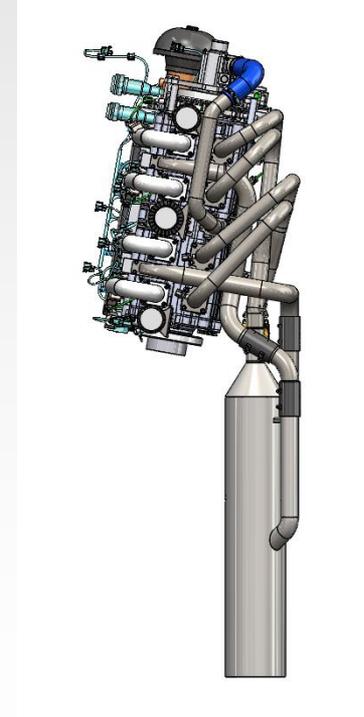
SERIES 2

Testing of Series 1 has confirmed limited engine capability:

- 30 hour total engine life
- 10 hour Time Between Overhaul

It is believed that RT1200 engine performance could be improved with further investment

Priority is to work on a developmental programme to enable commercialisation of the Series1 aircraft in China



CERTIFICATION

Series 1

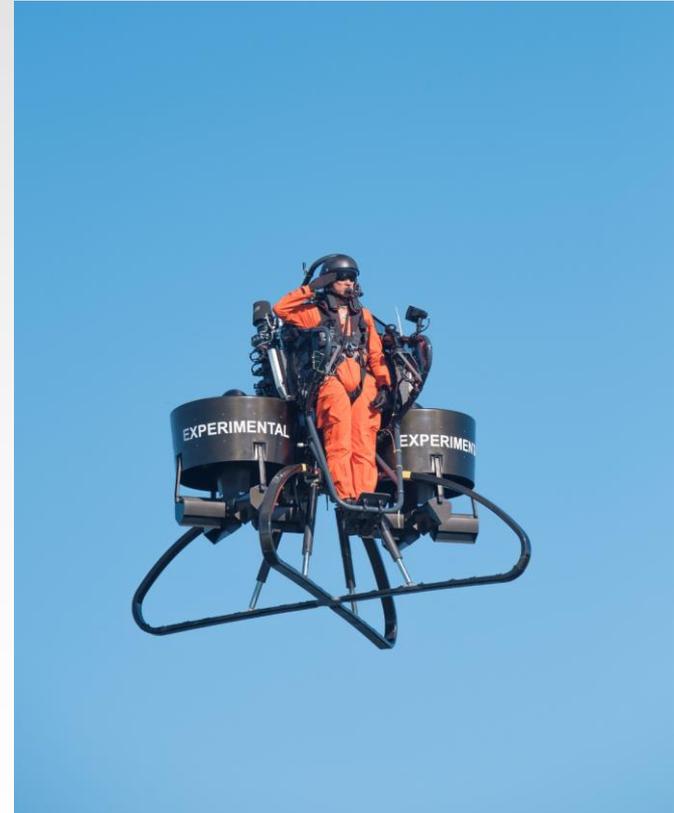
- First Jetpack fully designed in CAD
- Manufactured under configuration control to aerospace standard processes
- Restricted Certificate of Airworthiness granted to first Series1 aircraft in August of this year
 - Flight envelope greatly increased over previous P12 aircraft
 - Plan to increase operational envelope through ongoing testing and validation of aircraft performance
 - Testing has yielded large quantities of robust data

Martin Aircraft Company

- Aircraft level safety assessment completed enabling the development of
 - aircraft level functional hazard assessment
 - aircraft level fault tree analysis
- This positions Martin Aircraft to develop certifiable technical solutions from the outset

LOOKING FORWARD

- Continued flight test and envelope expansion
- Undertake China capability demonstrations
- Series1 improvement programme to support China show and commercialisation, initially to first responders
- Agree development programme for RT1200 engine
- Undertake capital raising programme



RESOLUTIONS

RESOLUTIONS

ITEM 2 – Reappointment of Dr Luan Lin



Dr Luan Lin
Non-Executive Director, Non-Independent

Proxy votes received:

For	210,287,449
Against	11,351,605
Open	34,385
Abstain	9,430

RESOLUTIONS

ITEM 3 – Reappointment of Dr Liu Ruopeng



Dr Liu Ruopeng

Non-Executive Director, Non-Independent

Proxy votes received:

For	221,537,578
Against	101,476
Open	34,385
Abstain	9,430

RESOLUTIONS

ITEM 3 – Appointment and Remuneration of Auditors

Deloitte.

The reappointment of Deloitte as auditor be recorded and that the Board be authorised to fix the fees and expenses of the auditor for the ensuing year.

Proxy votes received:

For	221,532,935
Against	78,700
Open	38,385
Abstain	32,849



QUESTIONS?