

Martin Aircraft Company Limited

Interim Financial Statements

For the half year ended 31 December 2014

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

Martin Aircraft Company Limited
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31 December 2014

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Company Report

This year has involved a significant investment in research, product and market development and expenditure associated with retaining and establishing a new team that can deliver a commercial product to the market along with progress to an IPO. This resulted in a loss of \$3.0 million for the half year ended 31 December 2014.

At balance date the Company had net assets of \$1.78million and cash on hand of \$1.5million. This report is a progress report of the key themes to date.

The half year continued with the pre-IPO capital raising. The total pre-IPO raising was \$5.4 million and we closed the capital raising early having achieved our target. We then moved into phase of preparing for a listing on the Australia Securities Exchange. We engaged Axstra Capital who were our advisors in the pre-IPO round along with Miro Capital for advice on the New Zealand Market. During October and November the investment market became challenging in Australia due to a large float tying up many potential investors' capital. Late in November 2014 we were approached by KuangChi Science Ltd, a Hong Kong listed Chinese company who at the time were part of a Chinese delegation to New Zealand led by President Xi Jinping. Following a number of briefings from both sides, negotiation was undertaken culminating in a signed investment agreement on 19 December 2014. The arrival of this cornerstone investor required us to issue a supplementary prospectus and delayed the IPO until the end of February. The investment agreement consisted of A\$21M investment at the IPO along with a A\$23M convertible bond, and a joint venture in Hong Kong servicing the China market through research and development and sales and marketing.

Three Directors, David Hunter, Richard Lauder and Dennis Chapman, left the Board during the period. We thank them most sincerely for their outstanding contributions over a long period. John Diddams, a Director from Australia, was appointed to the Board and he ran the Due Diligence Committee and will chair the Audit Committee. John Diddams was also engaged by the Board to assist in our preparation for an ASX listing. Peter Coker, the Chief Executive Officer, was appointed to the Board as Managing Director. Subsequently Dr Liu and Dr Zhang have been appointed to the Board as KuangChi Science representatives.

The Annual General Meeting held in September approved both a 10/1 share split and the issue of shares at the IPO. A Special General Meeting in February approved the KuangChi Science transaction and the issue of additional shares to accommodate the structure within the investment agreement.

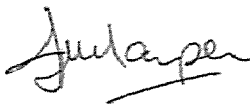
From an engineering perspective the Company completed a very welcome move from the existing premises to premises suitable for supporting the commercialization path. The new premises provide the staff with the facilities conducive to the work that needs to be done and provides a place much more representative of our future global company.

In addition the Company appointed Mike Tournier as Vice President Sales and Marketing at the end of November to give a clear focus to the important element of marketing the Jetpack.

From a technical perspective much background work has been undertaken in preparation of moving to a pre-production and production model of the Martin Jetpack. In particular the development of the parachute has continued well and following some minor adjustments the first prototype parachute will be with us very soon. In parallel, work in establishing the flight control system has continued and engagement with a supplier is on-going. From the flying side we have continued to refine the present Mk1 engine in order to allow limited flying to take place while we await the delivery of the upgraded engine.

The entry of the Cornerstone investor meant that we needed more time before we were able to list as further supplementary prospectuses were lodged. This in turn required us to slow up our cash flow and our commercial development in the latter half of 2014. However, with the A\$27M now secured following a successful listing and the knowledge of a further A\$23M from KuangChi Science in 30 months or at a time when the volume weighted average market price over 30 days is at or above \$1.20 per share. This means that the Company can focus entirely of delivering the first of the products to the market in the second half of 2016 rather than focusing on seeking new capital.

This has been a steady half year that has culminated in the welcoming of a major cornerstone investor and a successful ASX listing on 24 February 2015.



J Mayson CNZM

Chair

27 February 2015



P Coker OBE

CEO and Managing Director

27 February 2015



Independent Review Report

to the Shareholders of Martin Aircraft Company Limited

Report on the Financial Statements

We have reviewed the accompanying financial statements of Martin Aircraft Company Limited, "the Company") on pages 6 to 18, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Directors Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with the NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

We are independent of the Company. Our firm carried out other services for the Company in the areas of Investigating Accountant and Tax services in relation to the Initial Public Offer. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company, do not present fairly, in all material respects the financial position of the Company as at 31 December 2014 and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34.

Restriction on Use of Our Report

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

Chartered Accountants
2 March 2015

Christchurch

Martin Aircraft Company Limited
Statement of Comprehensive Income
For the half year to 31 December 2014

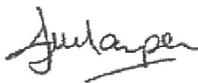
		6 months to 31 December 2014 Unaudited \$	3 months to 30 June 2014 Audited \$
	Notes		
Revenue		48,388	-
Expenses			
Research and development expense		(1,251,787)	(295,946)
Other expenses	4	(1,829,333)	(633,217)
Operating loss		(3,032,732)	(929,163)
Net finance income	6	22,413	6,679
Loss before income tax		(3,010,319)	(922,484)
Income tax expense		-	-
Loss after income tax attributable to shareholders		(3,010,319)	(922,484)
Other comprehensive income		-	-
Total comprehensive (loss) attributable to shareholders		(3,010,319)	(922,484)
Earnings per share			
Basic	12	(\$0.02)	(\$0.06)
Diluted	12	(\$0.02)	(\$0.06)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Martin Aircraft Company Limited
Statement of Financial Position
As at 31 December 2014

	Notes	31 December 2014 Unaudited \$	30 June 2014 Audited \$
ASSETS			
Current assets			
Cash and cash equivalents		1,514,031	701,618
Receivables		294,347	57,500
Prepayment - IPO capital raising costs		1,517,512	-
Total current assets		3,325,890	759,118
Non current assets			
Property, plant and equipment	6	172,205	80,516
Intangible assets	7	370,054	363,086
Total non current assets		542,259	443,602
Total assets		3,868,149	1,202,720
LIABILITIES			
Current liabilities			
Trade and other payables		1,046,623	492,519
Total current liabilities		1,046,623	492,519
Non-current liabilities			
Non-current borrowings	8	1,044,160	-
Total non-current liabilities		1,044,160	-
Total liabilities		2,090,783	492,519
Net assets		1,777,366	710,201
EQUITY			
Share capital	9	21,845,181	17,851,839
Share option reserve	11	364,888	307,367
Retained earnings		(20,432,703)	(17,449,005)
Total equity		1,777,366	710,201

Signed on behalf of the Board



J Mayson CNZM
Date: 27 February 2015



P Coker OBE
Date: 27 February 2015

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Martin Aircraft Company Limited
Statement of Changes in Equity
For the half year ended 31 December 2014

	Notes	Share capital \$	Retained earnings \$	Share options reserve \$	Total Equity \$
Balance as at 1 April 2014		17,474,088	(16,526,521)	289,602	1,237,169
Total comprehensive loss		-	(922,484)	-	(922,484)
Issue of share capital	9	377,751	-	-	377,751
Share option expense	9, 11	-	-	17,765	17,765
Balance as at 30 June 2014		17,851,839	(17,449,005)	307,367	710,201
Total comprehensive loss		-	(3,010,319)	-	(3,010,319)
Issue of share capital	9	3,993,342	-	-	3,993,342
Share option expense	9, 11	-	-	84,142	84,142
Lapsed share options	9, 11	-	26,621	(26,621)	-
Balance as at 31 December 2014		21,845,181	(20,432,703)	364,888	1,777,366

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Martin Aircraft Company Limited
Statement of Cash Flows
For the half year ended 31 December 2014

	Notes	6 months to 31 December 2014 Unaudited \$	3 months to 30 June 2014 Audited \$
Cash flows from operating activities			
Receipts from customers		48,388	-
Interest received		22,413	6,680
Tax received/(paid)		(111)	(2,123)
Payments to suppliers and employees		(2,562,646)	(851,641)
Net cash outflow from operating activities	10	(2,491,956)	(847,084)
Cash flows from investing activities			
Purchase of fixed assets		(120,653)	(20,645)
Purchase of intangibles		(19,412)	(11,827)
Net cash outflow from investing activities		(140,065)	(32,472)
Cash flows from financing activities			
Issue of ordinary shares		2,405,274	398,351
Net cash inflow from financing activities		3,444,434	398,351
Net increase in cash and cash equivalents		812,413	(481,205)
Cash and cash equivalents, beginning of year		701,618	1,182,823
Cash and cash equivalents, end of year		1,514,031	701,618

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Martin Aircraft Company Limited
Notes to the Financial Statements
For the half year ended 31 December 2014

1 General information

Martin Aircraft Company Limited (the Company) has developed an aviation prototype that is now being developed further as a commercial product. The Company is a limited liability Company incorporated and domiciled in New Zealand. The address of its registered office is 39 Ballarat Way, Wigram, Christchurch.

These interim financial statements have been approved for issue by the Board of Directors on 27 February 2015.

2 Basis of preparation

These general purpose financial statements for the six months ended 31 December 2014 have been prepared in accordance with NZ IAS 34, Interim Financial Reporting. In complying with NZ IAS 34, these interim financial statements also comply with IAS 34 interim financial reporting.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of Martin Aircraft Company Limited for the period ended 30 June 2014 which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The Company is designated as profit-oriented entity and an issuer for the purposes of the Financial Reporting Act 2013.

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of Martin Aircraft Company Limited for the period ended 30 June 2014.

The financial statements are presented in thousands of New Zealand dollars.

Comparatives

There is no equivalent previous corresponding reporting period for the Company. Martin Aircraft is a New Zealand company and there is no legal requirement in New Zealand to prepare half year accounts. Martin Aircraft listed on the ASX on 24 February 2014. In preparation for the listing the Company realigned its balance date from 31 March to 30 June to match the normal reporting cycle of Australian listed companies and prepared audited accounts for the 3 month period ending on 30 June 2014. Accordingly the company has presented its half year report alongside the audited results for the 3 month period ended 30 June 2014 but investors should note that the period is not directly comparable.

3 Segment reporting

The Company has one operating segment, being research and development, and one geographical location, being Christchurch, New Zealand. The financial statements reflect the activities of this operating segment.

Martin Aircraft Company Limited
Notes to the Financial Statements
For the half year ended 31 December 2014

4 Other expenses

	Notes	6 months to 31 December 2014 Unaudited \$	3 months to 30 June 2014 Audited \$
Audit fees		38,834	15,322
Directors fees	13	75,046	33,750
Employee expense		827,735	289,051
Legal fees		57,311	74,656
Consultants		206,424	44,452
Operating lease expense		124,446	21,615
Depreciation	6	28,048	11,393
Loss on disposal of fixed assets	6	-	9,610
Amortisation of intangibles	7	12,444	5,387
Share option expense	11	84,142	17,765
Other Costs		374,903	110,216
Total other expenses		1,829,333	633,217

5 Net finance income/(expense)

	6 months to 31 December 2014 Unaudited \$	3 months to 30 June 2014 Audited \$
Interest income	22,413	6,680
Total finance income	22,413	6,680
Interest expense	-	(1)
Total finance costs	-	(1)
Total net finance income/(expense)	22,413	6,679

Martin Aircraft Company Limited
Notes to the Financial Statements
For the half year ended 31 December 2014

6 Property, plant and equipment

	Property, Plant and Equipment \$
Cost at 1 April 2014	215,630
Additions	21,343
Disposals	(13,292)
Cost at 30 June 2014	<u>223,681</u>
Additions	119,737
Disposals	-
Cost at 31 December 2014	<u><u>343,418</u></u>
Accumulated depreciation at 1 April 2014	135,454
Depreciation	11,393
Disposals	(3,682)
Accumulated depreciation at 30 June 2014	<u>143,165</u>
Depreciation	28,048
Disposals	-
Accumulated depreciation at 31 December 2014	<u><u>171,213</u></u>
Net book value 30 June 2014	80,516
Net book value 31 December 2014	172,205

7 Intangible assets

	Software \$	Patents \$	Total \$
Cost at 1 April 2014	111,287	353,086	464,373
Additions	234	4,517	4,751
Impairment	-	-	-
Cost at 30 June 2014	<u>111,521</u>	<u>357,603</u>	<u>469,124</u>
Additions	13,793	5,619	19,412
Cost at 31 December 2014	<u><u>125,314</u></u>	<u><u>363,222</u></u>	<u><u>488,536</u></u>
Accumulated amortisation at 1 April 2014	90,681	9,970	100,651
Amortisation	2,836	2,551	5,387
Amortisation write back on Impaired Intangibles	-	-	-
Accumulated amortisation at 30 June 2014	<u>93,517</u>	<u>12,521</u>	<u>106,038</u>
Amortisation	5,937	6,507	12,444
Accumulated amortisation at 31 December 2014	<u><u>99,454</u></u>	<u><u>19,028</u></u>	<u><u>118,482</u></u>
Net book value at 30 June 2014	18,004	345,082	363,086
Net book value at 31 December 2014	25,860	344,194	370,054

Martin Aircraft Company Limited
Notes to the Financial Statements
For the half year ended 31 December 2014

8 Borrowings

	31 December 2014 Unaudited \$	30 June 2014 Audited \$
Non-Current borrowings	1,044,160	-
Total borrowings	1,044,160	-

In accordance with the Investment Agreement dated 19 December 2014 an A\$1.0 million interest free loan was advanced to the Company by KuangChi Science Limited on 31 December 2014. The repayment of the loan shall be made by way of offsetting the loan amount against the Convertible Bond subscription price payable by KuangChi Science Limited on subscription of the Convertible Bond.

9 Share capital

	31 December 2014 Unaudited \$	30 June 2014 Audited \$
Ordinary Shares		
Value:		
Opening share capital	13,251,839	12,874,088
<i>Shares issued:</i>		
Issue of share capital	3,993,342	377,751
Closing share capital	\$ 17,245,181	\$ 13,251,839
Number:		
Opening number of shares on issue	10,681,211	10,555,286
<i>Shares issued:</i>		
Ordinary shares issued	12,104,918	125,925
Share split (10:1)	97,320,609	-
Total number of shares on issue	120,106,738	10,681,211
Convertible Preference Shares		
Value:		
Opening Convertible Preference shares	4,600,000	4,600,000
Closing Convertible Preference shares	\$ 4,600,000	\$ 4,600,000
Number:		
Opening Convertible Preference shares	5,517,237	5,517,237
Share split (10:1)	49,655,133	-
Closing Convertible Preference shares	55,172,370	5,517,237
Total Share Capital		
Value	\$21,845,181	\$17,851,839
Number	175,279,108	16,198,448

Ordinary Shares

There were new shares issued during the period, subsequent to the 10:1 share split in July 2014, at \$0.30 per share (3 months to June 2014: 125,925 shares). Note that after the 10:1 share split the price per share equates to \$0.30.

Convertible Preference Shares

There were no convertible preference shares issued during the period, subsequent to the 10:1 share split in July 2014 (12 months to March 2014: Nil).

Martin Aircraft Company Limited
Notes to the Financial Statements
For the half year ended 31 December 2014

10 Reconciliation of reported loss after taxation with cash flows from operating activities

	6 months to 31 December 2014 Unaudited \$	3 months to 30 June 2014 Audited \$
Loss after income tax	(3,010,319)	(922,484)
Non cash items		
Depreciation	28,048	11,393
Loss on disposal of fixed assets	-	9,610
Amortisation of intangibles	12,444	5,387
Share option expense	84,142	17,765
Changes in working capital		
Increase/(decrease) in trade and other payables	555,021	41,300
Decrease/(increase) in trade and other receivables	(161,291)	(10,056)
Net cash flow from operating activities	<u>(2,491,956)</u>	<u>(847,084)</u>

11 Company share options and warrants

Share Options

In September 2014 the Board approved a new Company Option Scheme to issue options to selected executives and Directors. The term in which options may be exercised and ultimately lapse if not exercised are outlined in the Share Option Scheme Rules. Each option entitles the holder to one ordinary share in the capital of the Company. The exercise price is determined by the Board as the fair value of the Company's share price at the time of issue of the options. The term of the options is 5 years. Payment must be made in full for all options exercised on the dates they are exercised.

There are no specific vesting conditions. If employment or directorship ceases the options automatically terminate.

During the period to December 2014 the Company issued 4,200,000 additional options (3 months to June 2014: nil) to selected Directors and staff with the exercise price at the IPO price of NZD \$0.43. The fair value of these options was estimated as \$532,000 (3 months to June 2014: nil) under the Black Scholes valuation model.

Share options outstanding at the end of the reporting periods have the following expiry dates, exercise dates and exercise prices:

	December 2014		June 2014	
	Weighted average exercise price \$ per share	Options	Weighted average exercise price \$ per share	Options
Balance at beginning of year	\$ 2.40	488,750	\$ 2.40	488,750
Issued	\$ 0.43	4,200,000	n/a	-
Exercised	n/a	-	n/a	-
Lapsed	\$ 0.24	(32,083)	n/a	-
Balance at end of year	\$ 0.41	4,656,667	\$ 2.40	488,750

11 Company share options and warrants (continued)

The estimated fair value for each tranche of options issued is charged to profit/(loss) over the vesting period. The Company has recognised a compensatory expense in the statement of comprehensive income \$84,142 (3 months to June 2014: \$17,765), which represents this share based payment expense.

Warrants

At balance date 500,000 warrants are outstanding exercisable at \$0.20 per share. (30 June: 50,000 warrants outstanding exercisable at \$2.00 per share)

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in the form of share options, warrants and convertible preference shares.

	December 2014 Unaudited \$	June 2014 Audited \$
Loss after income tax attributable to shareholders	(3,010,319)	(922,484)
Ordinary number of shares	175,279,108	16,198,448
Weighted Average number of shares on issue	155,986,054	16,156,678
Basic earnings/(loss) per share	(0.02)	(0.06)
Diluted earnings/(loss) per share	(0.02)	(0.06)

13 Related party transactions

Key management transactions

During the reported periods the only staff member that received remuneration greater than \$100,000 was the Company's CEO, P Coker. Key management and director compensation are set out below:

	6 months to 31 December 2014 Unaudited	3 months to 30 June 2014 Audited
CEO salary	140,656	62,500
Directors' fees	75,046	40,750
Share based payments	84,142	16,417
Consulting fees to G Martin	60,000	30,000
Consulting fees to J Diddams	63,899	0
Total	423,743	149,667

13 Related party transactions (continued)

The Company has entered into a contract with Mr Martin to serve as a director and Company representative reporting to the Chairman. Mr Martin is paid \$10,000 (excluding GST) per month.

The Company engaged John Diddams to manage the due diligence process associated with the IPO and the Offer and to assist with provision of the Axstra Services. Mr Diddams was paid a monthly retainer of A\$5,000 (excluding GST) plus a fee at the rate of A\$1,250 per day for additional services up until the completion of the IPO. Mr Diddams was also paid a success fee of \$30,000 (excluding GST) on completion of the Offer. The Company also reimbursed Mr Diddams for reasonable out of pocket expenses.

Axstra Capital separately engaged Mr Diddams to assist Axstra with provision of the Axstra Services. The Company understands that Mr Diddams and Axstra agreed to an equity success fee, which is payable by Axstra to Mr Diddams (or his nominee), which is equal to 50% of the Axstra Transaction Fees (including the proposed share allotment) under the Axstra Contract.

Mr Diddams, as part of his mandate, was appointed to act as a non-executive director of the Company and the chair of the Audit and Risk Committee and Due Diligence Committee. Mr Diddams was also entitled to the same fees as any other Non-Executive Director of the Company, however he waived those fees for the period up to the completion of the IPO.

KuangChi Science Limited Investment

On 19 December 2014 the Company and KuangChi Science Limited (KCS) entered into a conditional Investment Agreement whereby KCS will acquire existing ordinary shares in the Company and KCS along with its financial adviser REORIENT GROUP Limited will be allotted new ordinary shares in the Company.

The KCS investment consists of a series of transactions whereby KCS will:

- Provide an interest free unsecured loan of A\$1 million (note 8);
- Acquire up to 15,000,000 new fully paid ordinary shares in the Company from certain shareholders at a price of A\$0.40 per share;
- Subscribe for 52,500,000 new fully paid ordinary shares under the IPO at an issue price of A\$0.40 per share, representing an investment of A\$21 million (note 15 – shareholder approvals);
- Subscribe for a zero coupon bond of A\$23.02 million that is convertible into 57,550,000 new fully paid ordinary shares in the Company;
- Establish a joint venture limited company in Hong Kong, owned 49% by the Company and 51% by KCS. KCS will have the right to sell its entire shareholding in the Hong Kong Joint Venture in exchange for up to 89,250,000 new fully paid ordinary shares in the Company.

At the date of these financial statements KCS had:

- Provided a A\$1.0m interest free loan to the Company on 31 December 2014 (note 8);
- Acquired 14,950,000 new fully paid ordinary shares in the Company from certain shareholders at a price of A\$0.40 per share;
- Subscribed, paid and had allotted 52,500,000 (40.8 million to KCS and 11.7 million REORIENT) new fully paid ordinary shares under the IPO at an issue price of A\$0.40 per share, representing an investment of A\$21 million. (note 15 – shareholder approvals);
- The Investment Agreement conditions have been fulfilled.
- The final form of the Convertible Bond and the Hong Kong Joint Venture establishment are to be completed.
- On 24 February 2015 KCS directors Dr Ruopeng Liu and Dr Yang Yang Zhang were appointed directors of the Company.

14 Commitments and contingencies

The following details commitments associated with the Company.

(a) Capital commitments

There were no capital commitments (30 June 2014: Nil).

(b) Lease commitments: Company as lessee

The Company leases a premise at 39 Ballarat Way, Wigram, Christchurch for an initial period to 15 September 2019, with a further right of renewal to 14 September 2022. The operating lease held over this property give the Company the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no other leases held by the Company at balance date.

(c) Contingent liabilities

Sino New Zealand Special Aircraft Manufacture Company

The Company previously disclosed a contingent liability in relation to a request for a USD \$460,000 repayment by 27th Research Institute of China Electronic Technology Corporation (No 27) for the establishment of a Joint Venture Company to manufacture and sell jet packs in China, Hong Kong, and Macau. Based on legal advice the Company is of the opinion that there is no liability or obligation to repay the USD \$460,000. Accordingly, no provision for the repayment of these funds has been made in the financial statements.

The Board authorised David Hunter, a former director, in December 2012 to investigate the potential establishment of the Jetpack Experience in Australia. There is a difference of opinion about the level of personal involvement expected. The agreement was that any costs incurred would be recovered through the contract with the proposed partner. However, it is not clear where the sunk costs incurred by D Hunter, if a Jetpack Experience was not set up successful, would be recovered. No provision has been made in the accounts in respect of any potential liability at this time.

The Company has no other contingent liabilities at balance date (30 June 2014: Nil).

15 Events occurring after balance date

Shareholder Approvals

At the AGM held 12 February 2015 Shareholder approval was received to issue up to 67.5 million fully paid ordinary shares, at a price of AUD \$0.40 per share for the quotation and trading of ordinary shares on the ASX.

Approval was also received that, for all purposes including any requirements of Rule 7(d) of the Takeovers Code and listing rules 7.1, 10.1 and 10.11 of the listing rules of ASX Limited, the Company:

- (a) issue 40,813,636 ordinary shares of the Company to KCS at a price of A\$0.40 per share pursuant to the initial public offer;
- (b) issue 11,686,364 ordinary shares of the Company to REORIENT Group Limited at a price of A\$0.40 per share (paid by KCS) pursuant to the initial public offer;
- (c) issue a convertible bond to KCS in accordance with the terms of a convertible bond agreement to be entered into between KCS and the Company on the terms set out in Appendix 2 to the notice of special meeting dated 27 January 2015;
- (d) on conversion of the convertible bond referred to in (c) above, issue such number of ordinary shares of the Company to the holder of the convertible bond as may be required by the terms of the convertible bond agreement; and
- (e) grant KCS an option to sell its entire shareholding in the Hong Kong joint venture (to be established by KCS and the Company) to the Company in accordance with the terms set out in Appendix 3 to the notice of special meeting dated 27 January 2015 and, on exercise of such option, issue such number of ordinary shares of the Company to the holder of the option as may be required by the terms of the option.

15 Events occurring after balance date (continued)

Initial Public Offering and ASX Listing

The Company's sought to raise a maximum of A\$27m equity at an offer price per share of A\$0.40 comprising A\$21m from KCS and A\$6.0m from both the general public and existing shareholders. The offer was oversubscribed and closed on 13 February 2015. On 19 February 2015 the full subscription amount of A\$27m comprising 67,500,000 ordinary shares were allotted.

In addition 1,515,000 ordinary shares were allotted in relation to Axstra capital in payment for success fees.

In accordance with Constitution the Convertible Preference Shares (CPS) automatically converted to fully paid ordinary shares with effect from the date of the offer close 13 February 2015. The Company now only has one class of shares being fully paid ordinary shares.

On 24 February 2015 the Company listed on the Australian Securities Exchange (ASX) under the ticker Symbol ASX:MJP.

Also, shareholders approved on 30 September 2014 to revoke the existing Constitution and adopt a new Constitution on listing. Accordingly the new Constitution is effective from 24 February 2015.

A summary of the Capital Structure of the Company on ASX listing at 24 February 2015 is as follows:

KuangChi Science Limited	55,763,636
No 8 Ventures Nominees Ltd	46,691,060
Glenn Martin	38,658,642
Other shareholders	<u>103,180,760</u>
Total Shares on issue	244,294,108

In accordance with ASX requirements a summary of the Escrowed shares subject to trading restrictions from 24 February 2015 is as follows:

Fully paid ordinary shares (no ASX restriction)	126,233,535
Escrowed shares (12 month ASX escrow)	3,980,489
Escrowed shares (24 month ASX escrow)	67,389,024
Escrowed shares (December 2015)	<u>46,691,060</u>
Total Shares on issue	244,294,108

Directory

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Board of Directors

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Peter Coker (Managing Director)

Glenn Martin

Jenny Morel

Steve Bayliss

John Diddams

Dr Ruopeng Liu

Dr Yang Yang Zhang

Company Secretary

James West

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The Registrar

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Auditor

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