

ASX ANNOUNCEMENT



INDUSTRY: Aviation

**MARTIN AIRCRAFT
COMPANY LIMITED**

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Martin Jetpack Business Update – Series 1 Free Flight Milestone Achieved

15 May 2017

Series 1 Test Programme Update

The Martin Jetpack test programme is ongoing. The test programme uses a series of ground test rigs and two flight test Jetpacks, one unmanned and one manned. The primary objective of the Unmanned Test Vehicle (UTV) is to validate the Series 1 Experimental Jetpack design in an unmanned environment. The UTV has now completed six degrees of freedom tethered flight testing and has successfully undertaken its first free flight, confirming basic airworthiness of the Jetpack and that the aircraft is controllable and stable in all axes around the hover condition. Testing will now move into free flight envelope expansion with the Jetpack being flown to the maximum design speed and altitude of the aircraft to validate design performance.

Testing to date has verified sound aircraft performance that tracks expected performance and requirements. Through testing, issues were identified with engine cooling and a redesigned cooling system based on the test data has now been fitted to the aircraft and has demonstrated improved performance. The aircraft is showing sound flying qualities. The fuel and electrical power systems, along with the aircraft primary structures including the fuselage, landing gear, pilot module and lift fan assemblies, are performing as expected.

The Series 1 Experimental Flight Test Vehicle (FTV) for manned flying is currently in its final phase of production and will incorporate the cooling system fixes identified from the UTV testing. Once completed it will also go through a series of ground functional test procedures and unmanned validation prior to commencing manned flight testing. The intent is for the Series 1 Jetpack to closely match the certified aircraft that ultimately will be made available to customers. Following this current flight test programme, the Series 1 FTV will continue to be utilised for any additional refinement testing and to support customer capability demonstrations.

Engine Update

The new developmental rotary engine is performing satisfactorily with respect to power availability during testing. However, issues have been encountered with the target 50-hour time between overhaul, which testing has proven not to be currently achievable without significant further investment. The current engine life

is expected to be 30 hours. There is a significant engine and component cost that is required to support this due to the need to remove and replace the engine on a weekly basis. This has resulted in additional cost and has caused delays to the test programme.

The Company is working on a solution to this. However, due to the issues identified, and whilst the developmental engine is satisfactory for test and capability demonstration purposes, the Company is now revisiting initial engine studies and has commenced a detailed review of potential alternative engine options. Customer feedback is currently being sought on the potential options as part of that process.

While the Company is working to resolve this issue as quickly as possible, no definitive timeline can be provided at this stage and it is possible that further delays and a requirement for additional capital may arise as a result of the process. The Company will provide updates in due course as matters progress.

On completion of the test programme to validate the Series 1 Jetpack, the Company will undertake capability demonstrations to potential customers, initially in New Zealand and then offshore. This is expected to commence in quarter three of this year.

Future Funding Requirements

The Company has already indicated that it will require further funding to complete the test programme and to seek out commercial opportunities with respect to the Jetpack product. As previously noted, the Company has secured a Letter of Financial Support from its major shareholder, KuangChi Science (KCS), committing to underwrite funding in the amount of NZ\$10.0 million (subject to shareholder and regulatory approvals as required, and provided there remains appropriate commercial rationale for the funding). This should enable the Company - subject to any material issues arising regarding the engine - to complete the milestones of the Jetpack in the 12 months from 28 February 2017.

The Company is in discussions with KCS with respect to the timing and form of the required funding, with KCS currently undertaking further due diligence on the Company, including a technical review of the Jetpack. Once this review is completed the Company will update the market on its funding options.

Looking Forward

Work in relation to flight capability demonstrations, establishing the base design for the Series 1 Commercial Jetpack and agreeing a certification basis with regulators, including costs and timeline estimates for the business, will continue as a priority in conjunction with securing further funding.

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ABOUT THE MARTIN AIRCRAFT COMPANY LIMITED

The Martin Aircraft Company Limited has evolved to become a world leader in jetpack development and commercialisation. Initially conceived to be the ultimate in personal transportation, the Martin Jetpack's potential for alternative applications soon became clear and led the company to refocus its vision to include being part of the global crusade to save and improve lives.

The Martin Jetpack has the pedigree of design ingenuity and innovation for which New Zealand is renowned. Designed with the goal to be the world's safest light aircraft, its potential applications span first response, search and rescue, military operations and commercial operations. It has the capability to be used in both a manned and unmanned capacity, which makes it the world's smallest and most practical Optionally Piloted Hovering Air Vehicle (OPHAV).

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