



**INDUSTRY:** Aviation

**MARTIN AIRCRAFT  
COMPANY LIMITED**

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

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**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

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## Martin Aircraft Company Status Update

**14 June 2017**

Please see below an update from Martin Aircraft Company ("the Company") regarding

- Current Technical Position of the Jetpack
- KuangChi Science Technical Review
- Recapitalisation Requirements
- Special General Meeting

### Current Technical Position of the Jetpack

#### *Free flight milestone achieved*

The Company has recently completed successful free flight of the unmanned test vehicle and has progressed into free flight test envelope expansion. This testing has shown excellent airworthiness characteristics of the aircraft and is 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. The Company is now moving rapidly to complete the Series 1 Experimental Jetpack functional testing prior to manned flight.

#### *Engine options require additional time*

As noted in the Company's announcement of 15 May 2017, the current rotary development engine, while satisfactory for test and capability demonstrations, has proven to be not suitable for commercialisation without significant further investment. The Company continues to assess alternative engine options. It is expected that it will require several

months to complete the alternate engine study, which is intended to determine a viable alternative engine pathway to support a commercially viable product.

### ***Current technical focus***

The priority and focus for the Company continues to be to identify a commercially viable engine and integrate it into the Jetpack, carry out manned capability demonstrations, establish a base line design for the Series 1 Commercial Jetpack and agree a certification basis with regulators, including costs and timeline estimates.

### **KuangChi Science Technical Review**

As part of a process to ensure ongoing capitalisation of the Company (see below), our major shareholder KuangChi Science ("KCS") has requested, and is currently undertaking, a technical review of the operational and commercial feasibility of the Jetpack, with a focus on the engine and aircraft design. To facilitate the review the Company has sought and obtained a comprehensive Confidentiality Agreement from KCS. In addition, the Independent Directors have established and documented a formal Information Sharing Protocol to ensure that no core IP or price sensitive data is shared with KCS while allowing the disclosure of information necessary to enable KCS to undertake the technical review.

### **Recapitalisation Requirements**

As previously noted, the Company will require further funding to complete the test programme and to seek out commercial opportunities with respect to the Jetpack product.

The company has sufficient capital based on forecast cashflows to continue operations at the current scale through to the end of August 2017.

The Interim Financial Statements to 31 December 2016 made an assumption that the Company would be able, when required, to utilise some cash held in its Hong Kong subsidiary to fund the parent company. On further investigation, it seems that this may be difficult due to existing funding commitments of the Hong Kong subsidiary. The Company is investigating further options to secure these funds to enable funding of the parent company into October 2017, however it remains confident in reviewing projected cashflows that even without the additional cash in the timeframe it can continue to trade through to the end of August 2017.

In reaching a conclusion in regards to the requisite Going Concern Statement in the December 2016 Interim Financial Statements, the Company sought and received a financial commitment from its major shareholder KCS for NZ\$10 million, being the amount estimated as being required for the Company to continue trading for a period of at least twelve months from the date of signing of the Interim Financial Statements, namely to 28 February 2018, but subject to shareholder and regulatory approvals as required and provided there remains appropriate commercial rationale for the funding.

Whilst a number of significant technical and operational milestones have been achieved since that undertaking was provided, as noted above, some uncertainties have arisen with respect to the commercial viability of the current engine programme, which have resulted in delays to development and potential cost extensions. These matters amongst some smaller technical issues form a significant part of the current Technical Review being undertaken by KCS.

Whilst that review remains underway with positive support from KCS, the Company has now been notified by KCS that they do not wish to provide further capital to the business until such time as a viable commercial pathway for the aircraft can be determined in more detail - and until control of the Martin Aircraft Company Board is established.

The Company is now urgently considering its options in light of this notification, and is in discussions with KCS with respect to the nature of alternative funding strategies. The Company is considering an offer from KCS to seek new capital from investors known to them in Hong Kong and China in small tranches through private placements. Alternatively, the Company could undertake a broader capital raising process. However, it should be noted that the Company believes that completing a full capital raising process in the required timeframe is likely to be challenging, particularly until further clarity can be given to potential investors with respect to the commercial pathway for the aircraft and the broader Company investment case. The Company will further report to shareholders as soon as the preferred pathway is identified.

### **Special General Meeting**

The Company has received a request from KCS, which is (together with its associates) the majority shareholder of the Company, to call a meeting of shareholders to vote on a resolution to amend the Constitution to remove the requirement that the majority of Directors must be ordinarily resident in New Zealand (per detail below). Accordingly, a Notice of Meeting was sent to Shareholders on 13 June 2017 calling for a meeting to be held at the Company's headquarters in Christchurch at 4.00pm on 28 June 2017.

In moving the resolution, KCS considers that the Company needs to have the freedom to secure the best Directors available to continue to foster the Company's status as a company with global investors and aspirations; and that the proposed amendment would afford the Company more flexibility in sourcing Director talent globally.

The Independent Directors consider that the proposed amendment is not inconsistent with usual practice for New Zealand companies, where there is not usually a requirement for New Zealand companies to have more than one Director who lives in New Zealand, unless the company is listed on the NZX in which case the requirement is that at least two Directors live in New Zealand and that at least a third of the Directors are independent. However, the Company is listed on the ASX rather than the NZX and there is no equivalent requirement for either matter under the ASX Listing Rules.

The Independent Directors note that gaining approval for the proposed resolution is likely to be a material factor in KCS' decision to continue to support the Company financially in the future; and accordingly believe that in light of the above it would not be unreasonable to conclude that this is in the best interests of the Company, particularly given that KCS already has the ability to control the appointment of all Directors under the Company's Constitution.

Accordingly, if the proposed amendment is approved by shareholders, it is possible that all but one of such Directors appointed could be resident outside of New Zealand (or the one Director could be resident in Australia, so that there are no Directors who live in New Zealand). This could also mean that the current situation where a majority of the Board comprises New Zealand-based Directors would cease.

### **In Conclusion**

Whilst challenges continue to exist, the Company has made some real progress in recent months. The focus now continues to be on the engine alternatives and capital raising process, and the Company will update the market as soon as further information comes to hand.

In addition, the Company would like to remind shareholders to carefully review the Special General Meeting Notice distributed on 13 June 2017.

## **ABOUT THE MARTIN AIRCRAFT COMPANY LIMITED**

The Martin Aircraft Company has evolved to become the 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](http://www.martinjetpack.com)