

ASX ANNOUNCEMENT



INDUSTRY: Aviation

**MARTIN AIRCRAFT
COMPANY LIMITED**

A company registered in
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Business Update

2 August 2016

Martin Aircraft Company (**Martin Aircraft** or **Company**) makes the following announcements:

- Update on the Status of the Series 1 aircraft
- Commercialisation Update
- Certification Update

Update on the Status of the Series 1 Aircraft

The Company's existing principal focus is on completing the Series 1 Martin Jetpack assembly by the end of 2016 with the aim of flight testing, demonstrating and delivering the Series 1 aircraft in early 2017. Potential customers have indicated that repeated demonstrations of the Jetpack will provide the confidence necessary to lead to those customers placing orders. Other customers have indicated a desire for such early aircraft to conduct trials.

The delay to the original first delivery timetable has been primarily caused by complexities with system integration requiring further design analysis. This is currently being resolved as part of the Company's renewed focus on delivery of the Series 1 aircraft as soon as possible.

Following ongoing engineering validation of the aircraft design, certain adjustments have had to be made to some of the original proposed technical specifications, predominately

as a result of the Series 1 aircraft not complying with the expected target weight. As a result, the Series 1 aircraft is expected to have the following characteristics and performance targets:

General Characteristics

- Type – Experimental Airworthiness Certificate
- Optionally Piloted - Single Pilot or Payload
- Aircraft empty weight – approximately 230kg
- Payload including fuel – 100kg
- Engine – Rotron Rotary 200hp, 30-hour time between overhaul
- Fuel Capacity – 40 litres
- Excludes on board starting function

Estimated Performance Targets

- Range – 15-20km
- Endurance (flight time) – 28 minutes
- Airspeed - 40km/h
- Altitude – 100kg total payload, 2,500 ft-AMSL (above mean sea level)

It should be noted that these new performance targets are engineering derived estimates and will be confirmed following the build of the Prototype 14 (P14), which are the test vehicles for the Series 1 aircraft, and subsequent live testing. This testing will start on the completion of the P14 build, which subject to supply chain delivery of parts, is expected to be in September 2016. The Company is aiming to complete a second P14 by the end of October 2016 to enable concurrent testing.

A dedicated weight saving team has been established and in conjunction with verification from flight testing will enable further design modifications to support weight reduction and performance improvements in future generations of aircraft. It is expected that other technical specifications will also improve with each future series of aircraft.

Despite these technical adjustments, the Company continues to hold the view that the aircraft's capabilities remain world leading. Early Series 1 aircraft will be used to demonstrate capability to potential customers to generate market interest either directly by Martin Aircraft or through third parties in 2017. Based on prior customer feedback the Company remains optimistic that these capability demonstrations will lead to first sales and revenue generation.

Subject to generating the expected sales order book from Series 1 capability demonstrations and to securing further funding, the Series 2 aircraft is currently planned to be designed and available for testing in late 2017.

Commercialisation

A number of commercial opportunities continue to be pursued with a view to generating future sales, including exploring potential distributorships. The short term sales focus will be narrowed to focus on working with a small number of beachhead customers, initially comprising Avwatch in the US and through KuangChi Science in China, to demonstrate the Series 1 capability. It is planned that this will enable the market to be proven and to generate sales orders and to secure further research and development funding and investment funding. It is expected that once the Series 2 aircraft is ready for market use the cost of each aircraft will be higher than originally anticipated. However, it is expected that this cost will reduce over time as production is scaled up and efficiencies delivered. The final cost of the product will only be able to be determined once final development of Series 1 is complete.

Certification Update

As previously disclosed, under the NZ CAA, Martin Aircraft has transitioned to experimental airworthiness for the current P12 series of aircraft.

Certification of the Series 1 and future aircraft going forward will now consist of two stages:

- Experimental – only flown by Martin Aircraft or suitably qualified pilots (beachhead customers)
- Restricted type certification – To allow us to extend to specific capabilities and markets

This approach is targeted to achieve certification in the minimum amount of time while leaving open the potential to expand Jetpack capabilities within the restricted category as required or once capability is added.

The certification pathway, its timeline and cost is a fundamental aspect of Martin Aircraft's future direction as it will enable access to global markets. Currently the business is working closely with the NZ CAA to finalise and agree a certification plan based on rule Part 27 (Light Rotorcraft).

Martin Aircraft and the NZCAA have engaged the FAA in the US regarding the possibility of establishing a joint path for certification in New Zealand and bilaterally with the FAA. This will potentially reduce the time spent achieving certification in the United States. A further benefit to this approach is the additional credibility that FAA certification would give the Martin Jetpack since the FAA is globally recognised as a leading aircraft certification agency.

The total cost of the certification process is not known but based on the company's estimates it is likely that the Company will need to raise further finance to complete the certification process. The Company is determining the best approach to obtain the necessary certification in a timely and cost effective manner. As part of this the Board is undertaking an in-depth review of the path to commercialization, the structure of the Company, and importantly continuing to manage its cost base. The Board will update shareholders with respect to any significant matters arising out of this review at the appropriate time.

Any queries please contact James West, Company Secretary, on +64 3 377 8584 or email james.west@martinaircraft.co.nz

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