



AIRFUTURE

19 June 2023

Chairman's and Chief Executive's Report to Shareholders

Year ending 31st December 2022



The past reporting year has been one of intense interest, with the potential for advancing Air Future Australasian commercialisation in the year ahead. MDI and AF and the climate industry are all closely intertwined. There have been many developments in the past year, and the effects of those are reviewed.

MDI Significant Progression

Sometimes a negative set of circumstances (referring to the pandemic in Europe) can trigger positive change (referring to MDI's commercialisation journey), and indirectly benefit the Air Future commercialisation journey in Australasia.

It was a case of the storm before the sunshine. The Covid pandemic (the storm) was intense in Europe, causing the Dubai World Expo to delay for a full year, disrupting MDI's contract for the delivery of their Air

Trains for visitor transport around the huge Expo campus. Eventually (the sunshine) business proceeded with delivery of the six purpose built Air Trains for the Dubai Expo - a major achievement .
(<https://www.airfuture.co.nz/news2>)

The MDI Expo Explorer Air Trains transported many of the 23M visitors during a six month period. This was further significant proof that the MDI technology can quickly and affordably cater for vehicle markets

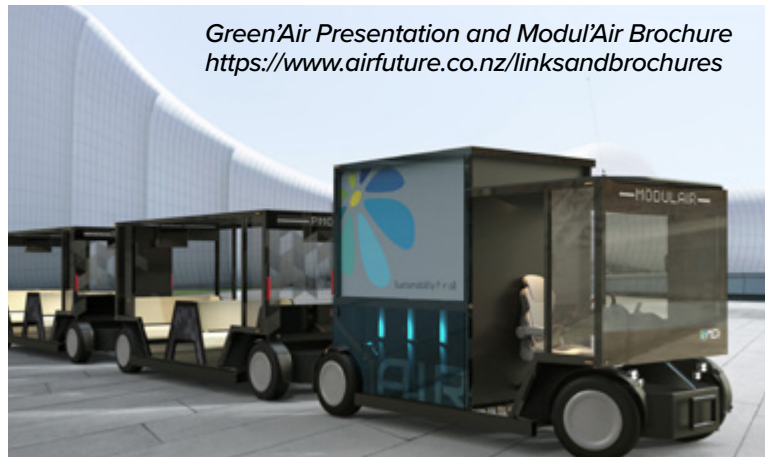


around the world. Prior to the Expo were the Veolia waste vehicle presentations in Lille, and the trials of the commercial AirPod 2.0 in Carros.

The redesign of the Green'Air Golf cart now includes a versatile and upmarket range of utility service vehicles under the name Green'Air Buggies, and by utilising the frame design of the ExpoExplorer MDI have designed a service vehicle suitable for airports, city councils, industrial complexes etc. requiring removal or transport of goods, people or rubbish. This versatility reinforcing the robustness of the MDI engine and the practicability of the MDI compressed air technology.

The Expo delay had a significant impact on MDI cash flow, influencing a change in MDI structure towards a more streamlined mass commercialisation focus, and a greater focus on alliances in manufacture, funding, and energy development (all benefiting Air Future in Australasia – see below). A progression of the integration of MDI laboratory and AF field.

We will report developments as information comes to hand and when it is timely to do so via upcoming Newsletters. A major and positive implication for Air Future is our strategy for technology transfer and commercialisation to provide climate solutions for Australasia.



*Green'Air Presentation and Modul'Air Brochure
<https://www.airfuture.co.nz/linksandbrochures>*

AF Australasian Commercialisation

Our commercialisation strategy spans the five parallel journeys below, reflecting a market approach to linking the MDI technology solutions and its transfer for climate innovation. An Australasian showcase which we plan to replicate regionally.

1. **MDI/AF:** We have always spoken of the importance of the MDI/AF collaboration. With the significant changes referred to we now see a greater degree of technology transfer to Australasia and a greater degree of collaborative independence. This greater support between MDI and AF aligns the opportunity for new product and market development for a variety of initially off road vehicles (AF field) with further technology development by MDI (MDI laboratory) – altogether advantages for both licensee and licensor.
2. **Manufacture:** The first evidence of this will be manufacture. Whilst there has always been the distributed factory model, this has now been advanced to include specific product production joint ventures which also provide partial distribution relationships. Confidentiality agreement and document exchange is taking place with the first party.
3. **Transport:** The first manufacturing venture will be based on the Green'Air Golf Buggy. The first milestone will be to demonstrate a product. However it is critical to point out that our thrust in the transport area will be driven by market scope and channels (in other words catering to niche demand). Distributed manufacture provides the opportunity to locally develop and build market product regionally. MDI has already demonstrated this capability with current products, and we will be seeking to continue that regionally.
*(Reference: Australasian Climate Innovation
<https://www.airfuture.co.nz/linksandbrochures>)*



4. Energy: MDI has significantly upgraded their focus on the energy side appreciating what we have always promoted - the huge opportunity for MDI M-CAES (micro compressed air energy storage). Energy storage, and the challenges faced with intermittent renewable energy generation, provide a unique decentralised energy opportunity for M-CAES. While many appreciate the basic opportunities, only a few understand the full scope of the technology, especially related to the interaction of air with temperature to provide electricity, heating and cooling – all potentially in a long duration storage environment. The

traditional measurements of efficiency, energy density, scalability, and cost become our strengths. *(Reference: Australasian Climate Showcase <https://www.airfuture.co.nz/linksandbrochures>)*

5. Replication: AF is the most advanced in the MDI relationships with its vision of mass commercialisation and the intention to create an Australasian showcase. Through the developments above we will seek to replicate across Australia, New Zealand, and the Pacific Islands. In parallel we will collaborate with MDI to explore replication globally.

Commercialisation Investment

Like all progressive businesses funding is a core part of their success, and progresses from working capital to projects to replication. Air Future is no different, except that MDI is going through a similar parallel journey. Once we progress along mass commercialisation there is no shortage of funders, partners or regions to approach.

- **Working capital:** Initially raising money, predominantly from shareholders, on an equity basis. Once preparing and evidencing mass commercialisation, funds can also be sought from professional and classified sophisticated investors.
- **Projects:** Once actually commencing mass commercialisation major investors such as climate funds and corporate partners can be included.
- **Replication:** And as we seek to spread across regions (locations), government and regional joint ventures can be included.

Priority

While we are closing in on commencing commercialisation, at the moment we are still in preparation, and for the next few months working capital remains our focus. We will still be relying on shareholders for our basic costs of accounting and auditing and building the platform for commercialisation. In addition we will progressively include reaching out to new investors. We have been able to advance recent progress with support from shareholders and thank you to shareholders who have continued to support our efforts.

There is good reason for optimism.

Russell Fitts
Chairman, Air Future Ltd

John Mennega
CEO, Air Future Ltd

Disclaimer: Comments herein relating to the future are uncertain and reflect what we are pursuing and anticipating. In interacting with third parties (MDI, industries, climate markets) we make judgements based on experience and observation and adjust where required as events unfold.

Ref documents: The reference documents referred to outline in detail the product and market information relating to AF commercialisation.

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