AIR FUTURE GROUP

BUSINESS PLAN 2020

This IM provides information and business plan for Air Future Group Pty Ltd and its two subsidiaries, Air Volution Ltd for clean transport and Air to Energy for renewable energy and storage.

Air Future seeks to rollout MDI brand compressed air distributed energy storage and clean vehicle products across Australasia, via distributed micro manufacture, and make a significant contribution to a cleaner climate via affordability and scale.

This document is not an offer to invest, though it outlines the investment and funding plans to achieve the milestones. Interested parties can initiate contact as to assess investment opportunities relevant to their eligibility.

Further Information

The IM has been able to contain less detailed information by its reliance on the related Websites below, and especially in the Documents menu in the AFG website and the ***Business Overview*** document therein.

www.airfuturegroup.com.au

www.mdi.lu

Dated: 1 July 2020

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Letter from the CEO

Dear Reader,

In reading our Information Memorandum you will be doing so in one of the most tumultuous periods of mankind's history, and some of these circumstances will inevitably affect the road ahead and what we present to you herein.

In our area of climate and pollution improvement, via energy storage and clean transport products, we still see much division between politics, science, economics and commerce, as well as from humanitarian proponents.

Rarely in peacetime have people been so directly affected by global events such as Brexit, coronavirus, its resulting financial crisis, and underlying humanitarian grief expressed in riots across Hong Kong and America.

Climate change should not degenerate into the above. One way to avoid that is to seek clear technological solutions or alternatives to addressing today's climate concerns. I'm based in Sydney Australia and only just this week, the beginning of June, I viewed an example of the general non-bipartisan climate approach that exists globally. In this case it was well represented by two of our country's famous people.

Appearing as guests on the ABC broadcaster's Q&A TV program, firstly Australia's Chief Scientist Alan Finkel expressed that battery storage was still decades away from being able to support a majority renewables grid. "Maybe 20 or 30 years from now we'll have new kinds of batteries, vastly powerful more extensive batteries and we can do it with batteries," Finkel said. His view in the interim was to support the grid with gas.

A contrary view was expressed by fellow panellist Lucy Turnbull, ex Sydney Lord Mayor and wife of the ex-Prime Minister. She said that putting gas at the centre of a plan to transition to zero emissions was "a little troubling". She expressed that the way to get there (zero carbon goal) is to have renewables plus storage. She went on to say: "Now storage is not just batteries, you can have pumped hydro, and the battery technology revolution is really amongst us".

We are part of that technology revolution, for both storage and vehicles. Our MDI branded technology is a breath of fresh air one might say. In your reading this IM I appeal to you to have an open mind and appreciate that tomorrow's technology solutions are rarely envisaged by yesterday's providers, and that over two decades of our technology development, in conjunction with major corporations, has addressed most considerations.

Warm regards,
John Mennega

Quick Brief – 1 page

The parties & technology

AFG Australasia (Australian company Air Future Group Pty Ltd), along with its energy and transport subsidiaries, seeks to commercialise the MDI compressed air technology and its energy storage and clean vehicles products, throughout Australasia. AFG is a long standing partner of MDI, whose development is based in France. MDI do not themselves commercialise. AFG will do so via exclusive Australasian licence rights (Australia, New Zealand, and Pacific Islands).

MDI Europe are the founders of uniquely patented distributed compressed air storage and light clean vehicles, with manufacture regionally distributed via turnkey micro factories. MDI's development of their technology, of their joint development ventures, and their clean energy and transport products has taken well over two decades.

Product Solutions on the energy side provided by the above address the affordability, modularity and scale of distributed energy storage to service homes, businesses, communities, and industry. On the clean vehicles side using also composite materials address the affordability, lighter weight, and the current niches largely not being catered to.

Sales & Production is designed via market related channels and via distributed regional micro factories. Importing between regions or overall is also an option, but not preferred. Regional manufacture is inexpensive and of much economic and security benefit.

Commercialisation & rollout

The IM addresses the execution process via its three interrelated phases:

- ***Our markets***: Climate change has been instrumental in establishing renewable energy market needs; specifically distributed storage, plus a shift to clean transport. The competitor products currently created have shortcomings both as products and in their manufacture. Our compressed air products address the many niches and markets created. The confirmation of this, including demonstrations and pilots, plus establishing the distribution channel partners, is the first step.

- ***Our products***: We commence with existing products and then work with MDI to develop new ones catering to markets. Distributed manufacture is via turnkey micro factories.

- ***Distribution:*** Relationships replicate for regions, targeting customer distribution and service channels, as well as manufacturing partners.

Corporate & investment

The last part of the IM addresses the team and corporate elements, plus the stages of funding and milestones.

The next SUMMARY section provides more details around the business, technology and investment.

SUMMARY – *Making a difference*

1.1 Business & Company – *Who we are*

We, Air Future Group Pty Ltd (AFG), are the Australian company established from 2019 specifically to commercialise the MDI compressed air technology for clean energy and transport in Australasia (Australia, New Zealand, & Pacific Islands). AFG has two subsidiaries: Air to Energy (renewable energy) and Air Volution (clean transport).

Our technology partner MDI SA, previously known as Motor Development International, has their development factory in France. MDI do not themselves commercialise but AFG do via their exclusive licensing arrangements. MDI are the founders of uniquely patented distributed compressed air storage and light clean vehicles, with manufacture regionally distributed via turnkey micro factories.

Historical - MDI's development of their patented technology, joint development ventures, and clean energy and transport products for commercialisation has taken well over two decades. Joint ventures have included Tata Motors in India who have acquired the Indian licence, Veolia who commissioned a clean waste vehicle, and numerous others including KLM Airlines trials. MDI will be involved with Dubai Expo now 2021.

> *MDI were honoured by the United Nations with an award in the sustainable transportation sector at the "Powering the Future We Want" program held in New York on December 2016.*

Future - AFG commercialisation will be under an exclusive license for Australasia. Fortuitously the commencement of commercialisation aligns with the increase of momentum from climate change, renewable energy, and clean transport. Progressive growth and market development commences with the current MDI compressed air vehicles, energy storage, and regional manufacture (or import), spanning Australasian regions. It then progresses through development of a full range of transport vehicles and energy markets. MDI technology can quickly and inexpensively develop new products.

1.2 Technology Overview – *What we do*

MDI have developed both a highly efficient energy storage system and unique vehicle mobility. At the core of the system is the compressed air engine, which enables compression, storage, and expansion. From storage in carbon fibre or steel tanks the air is expanded to either generate electricity or to drive an MDI vehicle. Vehicles are designed with composite materials and body integrated functions, so they are light and strong. The technology can potentially be applied to any existing form of transport via retrofit, or quickly and relatively inexpensively develop new products based on their development process and manufacture.

The storage cycle can be commenced from solar, wind, traditional electricity grid, or very quickly via special portable micro charging stations.

Products span four areas:

1. **Vehicles:** Clean lightweight vehicles (consumer & commercial)
2. **Storage**: Energy distributed storage (homes, business, remote)
3. **Manufacture**: Distributed manufacture (micro, regional, clean)
4. **Recharging:** Recharging via refiller or special hybrid fuel option.

Key differentiating advantage include:

- ***Efficiency***: focusing on systems has created efficiency
- ***Flexibility***: engines are various sizes and power
- ***Modularity***: mix and match components in creating scale
- ***Reliability***: no heat plus composite materials create low maintenance
- ***Storage***: products can go from home to community to off grid easily
- ***Vehicles***: the energy, drive and construction can cater for all transport
- ***Development:*** composite material construction means speed and low cost
- ***Manufacture***: distributed production means employment and security

Further technology brief

The core of the MDI energy storage and generation system consists of a uniquely designed compressed air engine along with the functions providing compression, storage, expansion, and drive power or electricity generation. Storage is flexible, and hence scalable, via carbon fibre or steel storage tanks. The storage cycle can be powered by electricity (just like charging a traditional battery) or by a solar or another renewable source, or via the MDI mini refilling station taking just a few minutes. The storage system could be referred to as a 'compressed air battery'.

Compressed air storage as applied within vehicles and electricity generation has unique advantages over internal combustion plus over chemical batteries. MDI has adopted lightweight composite materials in its product manufacture. Vehicles are lightweight and strong, with many functions integrated into the bodywork adding efficiencies. MDI manufacturing is ideally suited to smaller distributed manufacturing, benefiting regions via small cleaner local factories, employment and control over their own energy destiny. For communities or remote micro grids energy storage can now be aggregated and positioned in a single dedicated area and can easily be placed underground.

Engines can be larger or smaller and can be optioned to also be operated with dual energy via an external lower temperature burner, providing further range benefits. Storage tanks could be larger or smaller and added separately. In dual option using a traditional fuel requires just 0.5 litres per 100km and generates virtually zero amounts of dangerous nitrogen oxide emissions and unburned hydrocarbons. This advanced technology around the expansion of the air allows MDI engines to achieve efficiencies of more than 68% between the tank and the engine outlet, compared to conventional thermal vehicles have a yield of around 10% in the urban cycle.

Carbon fibre tanks have an estimated life span of 20,000 cycles, which is equivalent to a life of more than 50 years and exceeding or matching a vehicle life. The recycling poses no chemical or physical problems. A filling test must be carried out every 5 years. The approved tank complies with the existing UN ECE R110, and does not fragment in the event of an accident.

1.3 Investment Opportunity - *Participation*

Investor highlights:

- **Markets:** Our renewable energy storage and clean vehicle niche markets are huge, and distributed manufacture and employment is attractive.

- **Products:** After decades the technology is finessed, developed with major corporate partners, and now ready for mass commercialisation.

- **Structure**: AFG is structured to enable investors and partners to partake in a fresh and clean company whose subsidiaries hold the licence rights.

- **Return:** Private company shares are not traded on a stock market, but we may seek to facilitate private trading. It is our intent to increase share price related to milestone achievement and then undertake a liquidity event in 3-5 years. Examples might be share market listing or a trade relationship.

In executing our 1-3-5 year commercialisation plan AFG will progress through the three stages below. In carefully designed coordination with MDI and with our markets and investors, the stages can be run sequentially or in parallel.

Stage 1: Australasian market entry

- ***Establish markets & channels for entry products:***

  - AirPod standard vehicle
  - AirPod commercial vehicles
  - GreenAir golf and utility vehicle
  - AirPower

- ***Technology transfer including:***

  - Australasian turnkey production tailoring
  - Demonstration for vehicles
  - Pilots for energy storage

- ***Partners & investors***

  - Relationship with investors
  - Country & regional partner relationships
  - Preparing next stages

Stage 2: Australasian factory construction

- ***Entry product factory establishment:***

  - Establish site(s) & factory utility services
  - Explore regional & country replication
  - Finalise any factory options & scale

- ***Finalise partners per factory(ies):***

  - MDI turnkey role
  - Partners & investors
  - Finalise distribution partners

Stage 3: Product development schedule

- ***Current pipeline products completions:***

  - AirOne/AirCity
  - AirWall
  - Next vehicle products
  - Next energy products

- ***Next project product developments:***

  - Existing MDI partner products
  - Consumer: transport & energy
  - Commercial/Industry: transport & energy

- ***Joint MDI global opportunities:***

  - Global licenses
  - Export with MDI
  - Development joint ventures

1. OUR MARKETS – *Renewable energy & transport*

2.1 Climate Change Platform – *Ground zero*

Climate change effectively underwrites our markets' existence

Climate change response from politicians, scientists, economists, commerce and investors is providing a huge tailwind for a cleaner environment, spanning energy, transport, and manufacturing; and effecting most industries – this is our business.

One of the key drivers for development of renewable energy is the necessity for clean affordable and scalable energy storage to counter intermittency of solar and wind. Another is clean vehicles available and affordable to all. A further driver that has emerged has been

the increasing economic benefits, and the growing acceptance that this area is an investment opportunity for now and the future.

Now a new wave of investment from both the public and the private sector is being funnelled into cutting-edge technology solutions to climate change - from improving the atmosphere to energy efficiency to renewable storage solutions to clean transport. Such investment comes under the heading environmental, social and governance (ESG) - an increasingly popular investment segment. During the Coronavirus ESG was identified as a top performing investment sector.

Private new investment, rather than simply avoiding certain companies, is actively choosing to invest in companies that are trying to make a difference. "Climate has become the biggest theme in ESG investment", according to Hortense Bioy, director of passive strategies and sustainability research at Morningstar, the USA Chicago based investment and market research firm. "We have seen an acceleration of product development in that space in the past couple of years, triggered by the Paris Climate Accord in 2015 and the need to keep global warming below two degrees Celsius".

Investors more than ever are now considering climate change as an investment opportunity and looking for companies that will aid or benefit from the transition to a low carbon economy. Bill Gates was quoted as having told the Financial Times that divestment from fossil fuels by itself was ineffective as a way of reducing carbon emissions. Much better he said was to invest in ventures working on innovations to cut greenhouse gases.

Yet much of what we see is a legacy approach to a new type of opportunity.

Sustainable investment specialists such as Bruce Jenkyn-Jones, a director at Impax Asset Management, says investors in climate change do not have to surrender returns. Governments and companies around the world face more pressure to change their behaviour, and those finding solutions to climate change will yield strong returns. "If you can find companies helping to solve environmental problems, that will be a growth market", he notes.

And we fully agree……. Because this is what we do.

Lila Preston, co-head of the growth equity team at Generation Investment Management, the firm founded by Al Gore, says: "We believe that this wave of sustainable investment can deliver strong long-term returns because it is common sense that you would consider the ESG factors around any business model. This is not a trade-off of values for value."

Of special interest to us is the following.

One area of particular interest is the "intermittency" issue in renewable energy – the fact that the sun will go behind the cloud, or the wind will fail to blow. Eric Toone, the science lead at Breakthrough Energy Ventures, says this leads to "huge opportunities" in both storage solutions and transmission.

Another area the fund invests into is ways to reduce the considerable carbon emissions associated with manufacturing industrial materials.

So the evolving climate driven industries are exactly behind our areas of focus.

2.2 Energy & Vehicle Markets – *The needs arising*

Driven by climate change and economically driven benefits, energy markets have entered one of their greatest ever periods of revolution away from fossil fuels and pollution. Generation is shifting from thermo power plants such as coal and gas to renewable forms such as solar, wind, hydro, and others.

But with these new forms of energy generation come a raft of challenges when adapting them to mass usage.

It is these challenges which we seek to solve with our technology and products. We demonstrate some of them below.

- ***Intermittency:*** Solar, wind, rain, and other forces of nature are intermittent. This creates problems not only for reliance on them, but also intermittency is incompatible with traditional stable energy sources – for example the grid.

- ***Storage:*** The best way to combat intermittency is via storing the energy to buffer the period when it is not there. But traditional forms of storage are shown to have many intrinsic shortcomings limiting their application.

- ***Decentralisation:*** The above can be addressed centrally via utilities or decentrally at homes and businesses. But the two compete commercially, and the added cost of central energy transmission, middlemen, and consumerism are drivers for decentralised energy generation.

- ***Cleanliness:*** We speak of the carbon and pollution footprint from go to whoa. A vehicle might be clean but its manufacture, raw materials, product delivery, and disposal, all make it non clean. These challenges mankind is yet to face up to.

- ***Manufacture:*** Vehicle manufacturers still produce cars that are heavy, can travel and accelerate faster than allowed by law and at a mammoth central factory requiring a huge carbon footprint and cost to deliver globally. These unnecessarily expensive vehicles feed a market whose majority trips are under 50 kms.

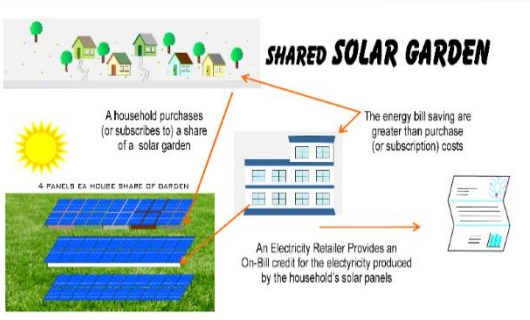
- ***Grid***: The central grid has been the mainstay of our energy world, controlled and driven centrally. It is now beginning to compete with a distributed energy world with facilities like aggregation, virtual power plants, solar gardens, micro grids, off grid, and remote. It will be competing cost, scale and transmission that will drive the future.

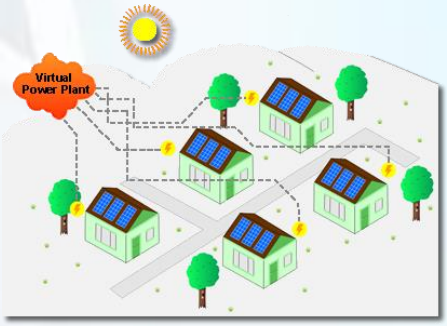
- ***Customers:*** The more benefits and cost savings one can provide customers the more likely you will get their business. Aspects existing behind the meter like time shifting, demand management, offtake and feed in tariffs, applications management, independence, scale, and affordability will determine the future.

- ***Subsidies***: Subsidies have created an unrealistic economic environment spanning vehicle manufacture, renewable energy generation, its storage, and the politics of who will manage the energy networks that are now evolving. Ultimately economics will prevail, and subsidies cannot last in a competitive world that we live in.

- ***Technology:*** there is a plethora of legacy technology being moulded into something new and that only works so far. Whether it be legacy manufacture, chemical batteries, hydro dams, or hydrogen – there are many very sticky hurdles.

- ***Niches:*** In the medium term these variables will create many niches from which eventually some technologies will prevail, but many others will still thrive. There is huge scope addressing not only consumers and commercial, but the variable needs of industries including: mining, agriculture, hospitality, hospitals, manufacture, nursing homes, defence, government, education, and transmission – just as some examples.





Caption: The future of community, business and remote micro grid sharing of distributed energy resources will be highly dependent on scale, economics, maintenance, and upgrade path. The MDI AirWall product is being specifically targeted for this future.

We are well positioned now to become a substantial market participant driven by climate, the market needs, and opportunities and shortcomings currently in existence.

2.3 Distributed Manufacturing – *A revolutionary approach*

A new era using old legacy concepts

One area that adds a huge load to the climate and pollution problem is legacy mammoth central manufacturing factories. To distribute their goods globally requires storage, shipping, and delivery around the world. The supply chains require the same loads. Purchasing an electric vehicle with a battery masks the complexity in supply chains, delivery, and disposal.

The coronavirus accentuated an awareness of a looming problem

These issues came very much to the world's notice during the coronavirus. Battles existed for product, their supply, dependencies versus independence, and costs when held hostage to competing for scarce product. It was expressed by some that we were having a glimpse into a climate revolution worlds.

These factors and others assure us that the distributed regional micro factory approach that our technology enables has enormous potential benefits – immediately and into the future. Independent regions, local employment, security, less supply chain, less distribution, community proximity, and a cleaner environment all rise favourably to the forefront.

An academics view on Australia and New Zealand supply and manufacture

In an ABC Opinion article by New Zealand Associate Professor Hongzhi Gao and Australian Assistant Professor Monica Ren it was expressed that the Covid-19 crisis has thrown the

Australian and New Zealand dependencies on imports and specifically Chinese imports into stark reality. Many countries are now waking up to the economic exposure to imports and to the manufacturing might of foreign countries. Overall both countries are extremely vulnerable to major supply chain disruptions.

The Coronavirus has opened up an opportunity in discussion between the leaders for a "trans-Tasman bubble". For all these reasons, a cooperative trans-Tasman manufacturing strategy should be on the table right now and in any future bilateral trade policy conversations. Rather than each country focusing on product specialisation or setting industrial priorities in isolation, the two economies need to discuss how to best pool resources, add value, and enhance the competitive advantage of strategic industries in the region as a whole.

Our distributed manufacture, speed of product development, and lower costs suit ideally the above process.

3. OUR PRODUCTS – *Energy storage & clean vehicles*

3.1 Development Advantages – *Ideal solutions*

Modularity is a fundamental focus of MDI throughout all its designs. It is evidenced in the following:

- Vehicles' design and construction can be readily scaled from the smallest entry level to the largest industrial vehicles.
- Energy storage systems can vary from the smaller stand-alone applications to household to community to micro independent grid level.
- Manufacturing factories can be established from small volume commencement via steps up to full production.

Modularity facilitates the ability to quickly generate tailored applications for multiple industries with much less time, complexity and cost. The MDI compressed air motors can replace most existing motors and cater for many kinds of applications.

We commence with our existing vehicle and energy storage products and their distributed manufacture in Australasia. The renewable energy and clean transport journey is an ongoing one and the markets and demands are huge. Hence the need for ongoing development, and close market relations.

Followed by development opportunities, where AFG monitors the market to proactively look for opportunities, entrepreneurialism and industry partners. The MDI technology, its design, development and production is a much faster and less costly process than for legacy products. And these developments MDI may seek to do centrally or in part distributed in our regions. This has global and export implications.
Numerous examples already exist on how well this can work. In conjunction with Veolia in France the industrial waste vehicle the AirBom was developed. In conjunction with Tata Motors in India their joint development lead to Tata's license for all India. In conjunction with KLM trials were conducted for airport services. In conjunction with Dubai Expo MDI promotes the scope of their development opportunities.

Development project example

An example of a development project is that with Veolia to develop the first compressed air light weight industrial vehicle as a small waste collection vehicle built initially for Veolia. Veolia is a major player within the field of waste management globally. Their objectives are for urban cleanliness. In this context MDI worked together with Veolia in the design and production of their non-polluting vehicles and systems. The AirBom has 2 tons payload, drives at 25 km/hr, with cargo of 13 cubic metres and 3 seats. The AirBom demonstrates a new generation of industrial service transportation. It is powered by compressed air and emits absolutely no gases or particles. It enables a significant reduction to the impact of collection on the quality of life and health or residents.

Caption: Tata Motors in India, Veolia in France, and KLM in the Netherlands are examples of the enthusiasm and potential for joint product development projects.

In conjunction with MDI we are looking to develop Australasia into a global showcase for compressed air clean energy storage and transport with regional manufacture. The compressed air engine can be a universal engine substitute.

3.2 Our Transport & Energy - *Progressive*

The energy storage systems are predicated on being modular and flexible. So scale can be achieved via larger engines, more tanks, or adding more solar panels (or wind). Hence the capacity in kW or the energy used in kWh can be managed separately. In most storage devices they are fixed. We are modular which greatly assist scale in aggregated or growing demand environments.

Engines' storage capacities are over various ranges with capacity from below 7kW to over 70kW initially. Tanks vary in size storing air at 248 bar. The engines can function in a dual energy mode using an external burner tripling the energy capacity of air alone.

(a) Transport Products - *Entry*

- **CURRENT**

GreenAir

This general-purpose vehicle has applications as a people mover, a mini pickup, or most commonly as a golf cart. The people mover can comfortably accommodate four people. The utility vehicle, equipped with a mini skip, enables many types of work such as

maintenance of green spaces in hotels or closed communities or golf courses. A completely clean vehicle, with one minute connection at the air station to recharge. No battery life cycle or disposal to concern with. A bodywork of fiberglass and tanks of carbon fibre it is focused on driver and passenger comfort, ejecting only cold air, with exceptionally low maintenance but an extra-long life.

Caption: The existing GreenAir utility vehicle has a big market, and we look forward to demonstrating it throughout the region to selected channel distribution partners.

AirPod 2.0 Standard

This entry level vehicle is classified as a quadracycle and provides a new experience in urban mobility. Comfortably conditioned for two it offers an ideal solution for one's daily quick trips, plus is an optimal size to sneak into the city and into a car park.

Customised on order, with exhaust consisting of water and air and with a body of strong composite light materials, this four-wheel two-seater vehicle is capable of 80 kms/hr, has a range on full tanks of 120 km - or up to 360 km in the dual energy mode using just 2.25 litres of bio or other fuel.

Weighing just 280 kg it can turn on the spot, is just 2.13 metres long, and still has 500 litres for cargo. Air storage is via safety approved carbon fibre tanks. Markets for the AirPod include inner city service vehicles, younger generation and family second vehicle, fleet use for city councils, airports, university campus, resorts, gated communities, retirement villages, and golf courses. It is ideal for daily activities such as single driver, student, craftsman, and deliveryman, professional, or second vehicle.

Niche markets include service and delivery vehicles within airports, parks and reserves, university campus, tourist resorts, golf courses, retirement villages, and closed communities.

Road certification for its L7e category is currently under review for Australia and New Zealand (generally approved in the world's northern hemisphere) and so initial focus is on both on road Pacific Island and the above off-road applications.

Caption: The existing AirPod vehicle is the entry launch vehicle to demonstrate the capability of the MDI technology and products. Initial markets are on and off road in the Pacific Islands, and off road in Australia and NZ whilst the governments assesses aligning with the world's northern hemisphere L7e quadracycle certification.

AirPod 2.0 Commercial

The AirPod 2.0 be can be configured in the factory for commercial & industrial applications. There are three options: classic, pickup and cargo. Each option is intended to cover any need from professional use to daily activities. Cargo space is from 1 to 2 cubic metres.

Caption: The existing AirPod commercial has a very large market based upon the need for these shaped vehicles but operating in a clean and affordable low maintenance mode.

➢ PIPELINE

AirOne/AirCity

Currently in the pipeline is the AirOne, a more spacious and family-oriented highway vehicle, with a range of 170 – 200 km or 600 km on dual energy. This will be the general family and transport car and well suited to the car-sharing and autonomous models of the future. The design will incorporate all the benefits of low weight, low cost, ease of use, and dual fuel mode capability. All vehicles will use strong lightweight composite materials. The AirOne will have maximum speed of 100km/hr and be available in 3 or 5-seater versions with cargo capacity of 1,000 litres and weight 450kgs. It will nominally be 15-20 kW and can also be customised as an off-road vehicle or as an urban family style SUV. The AirOne is being designed to have a driving range of over 600 km with the dual energy system using only 3 litres of fuel and a full air tank. The AirOne is designed to meet normal family vehicle road certification requirements. Its relative the AirCity will be a larger capacity version with a larger 60kW plus engine and capable of 130 km/hr.

Caption: Whereas the AirPod was the entry introductory vehicles due for the mass market niches for which it is suited.

Refill Stations

MDI small refill stations are micro units intended to be located in the most accessible and convenient points, or they can also be mobile as no connection to power is required. It is intended to have a network of refill stations. Combined with the alternative of plugging into a conventional electric plug to refill, or having dual energy mode, the emphasis is on range and ease of use. The mobile facility is ideal for car sharing, fleets, gated communities or industrial sites.

Caption: The multiple options for **refilling** the MDI vehicles is a big advantage, especially via the filling station or the mobile facility. When combined with the dual energy mode travel autonomy becomes attractive and competitive.

(b) Energy Products - *Entry*

➢ CURRENT

AirPower

This is the stand-alone mobile storage and electricity generation unit providing autonomous electricity supply applications such as uninterrupted power supply or a substitute for diesel generators. The system caters to stand-alone applications integrating storage and electricity generation with renewable energy. Similarly it can be supplemented via dual energy mode, intentionally via using cleaner fuels such as biofuel. The AirPower unit contains the engine/compressor, storage tank, and electricity generator. Applications include on grid or off grid systems with solar or wind.

Caption: The portable AirPower unit is the initial MDI storage product with a special focus on business and industry storage application, receiving its initial source from solar, wind, or the electricity grid. Under the dual energy mode it can also be sourced from fuel; a very effective energy generation compared to say a diesel generator.

➢ PIPELINE

AirWall

The AirWall is the advanced energy storage and clean electricity generation solution. Coupled with a photovoltaic installation each system it is able to store and supply power levels from less than 7kW with the smaller engine and 60kW and above with the larger engines. The power can be set above or below these levels within a range. A continuous supply of energy can be managed by the tank storage capacity. Further capacity can be managed by adding racked engines or moving to a larger one, and the same applies for tanks. Hence the modular design of the AirWall gives the ability to extend the capacity in power or duration by adding components.

Caption: The AirWall unit will have a high degree of flexibility and modularity due to its componentry.

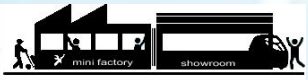
The AirWall system contains the engine/compressor, storage tanks and electricity generator. It connects to solar, wind, or the grid. Energy storage can vary from households to communities to independent micro grids, including the future for community "virtual power plants". The consumer can benefit from cheaper pricing, independence from the grid, or selling energy back to it, time shifting from on peak to off peak, and demand management. Industries spanning from agriculture to mining to manufacture to hospitality to hospitals all have storage and energy management needs.

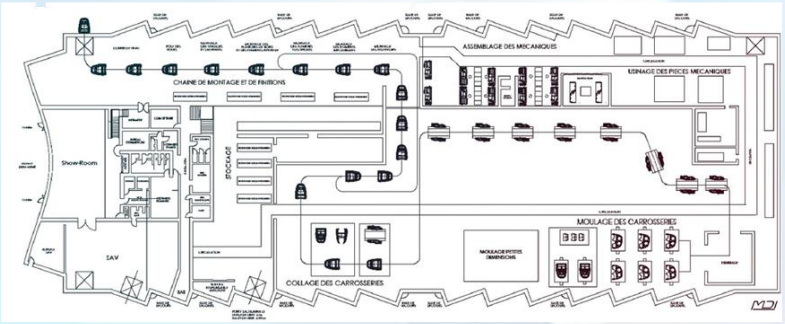
Caption: The AirWall is the advanced unit for homes, businesses, communities, and industry both on and off grid. It is specifically targeted for the future of virtual power plants and storage sharing.

(c) Micro Factories - *Entry*

MDI distributed vehicle factories require just 4,500 square metres with land requirement 15,000 square metres. Significant synergies and economies can be achieved by integrating vehicle and energy factories. The maximum production per annum on one 8-hour daily shift is approximately 5,300 for vehicles and 15,000 for energy units, the latter yet to be confirmed. The factories can be run on a modular basis with a low break-even production volume of 400-500 vehicles as example. Employment based on production capacity is 36 for 1,000 vehicles per annum (single shift), 56 for 2,000 (same capacity, double shift), and 81 for 5,300 (large capacity, single shift). Factory construction and operation training and tools are provided turnkey by MDI and operated by the regional entity.

Factory **Layout**





Caption: Visitor day at the MDI micro product development factory in France. On the left is the turnkey vehicle production layout. These factories are replicable for regions, and different product manufacture can be coordinated and flexible based on modularity.

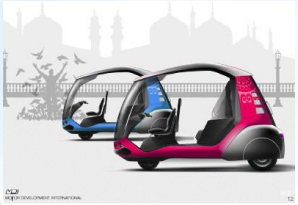
3.3 Rollout Next Products - *Progressive*

- **PIPELINE**

The current pipeline products are the next phase of consumer and commercial products being the AirOne/AirCity and advanced AirWall. It may be decided along with MDI to fast track these under a development project subject to initial market feedback.

- **PROJECTS**

MDI has commenced designs for future products ranging from buses to boats to forklifts, to Tuk Tuks, and even streetlights. In many cases they will seek a formidable product line joint venture partner – an opportunity of interest to AFG. These developments are of great potential for appropriately experienced industrial partners.

Caption: The MDI technology whether applied to engines, composite material design, or dual energy capability, or retrofit, has a huge scope. Preliminary design of buses has already been undertaken.

4. DISTRIBUTION – *Channels & production*

4.1 Distribution Channels – *Product sales*

Economically and practically distribution, sales and service is majorly carried out via channel partners and piggybacking existing specialist distributors. A product example would be solar installations for energy storage or an industry example farm machinery for generators. Our approach is more wholesale than to build a proprietary distribution because our markets are so broad. We will use social media and e-commerce extensively.

The following are examples of the scope of channel distributions operating in parallel.

- ***Consumer energy market:*** Distributed energy storage will most frequently be distributed via trained and qualified solar distributors or electricians in addition to energy retailers and transmission operators.

- ***Commercial energy market:*** There are similarities to consumer distribution via commercial specialists, but also many variants, for example clean buildings and construction companies.

- ***Consumer vehicles niches***: Decisions have yet to be made on the optimum and varied ways of addressing the consumer market. This is linked to regions and also the local certifications.

- ***Commercial vehicles niches:*** Where commercial customer types have their own supply distribution, for example golf course, we will use those channels. We may also contact directly.

- ***Industrial general:*** The many industry segments highlighted elsewhere herein generally have specialist suppliers, which we shall also target.

- ***Development:*** We will actively seek appropriate industry businesses to participate in market drive product development.

In all cases we will seek to "open doors" with initial or showcase customers buying into our products and services to act as references. This is where demonstrations and pilots will play a large part. These discussion in numerous cases are already advancing. The modern rule for customers is to make it easier. This we will do via finance and support.

Caption: When Bill Gates expressed his goal to see a Microsoft product on every desk it was a formidable goal. We envisage an MDI engine application being able to touch most people and businesses. Above are the AirPod, AirOne and the MDI-Veolia AirBom waste vehicle.

4.2 Participating Regions – *Enabling regions*

Regional factories are all turnkey and replications but tailored to the specific circumstances of the region or their export ambitions. Factories are modular as to capacity, operation, and products. Thereafter they are readily upgradable or adaptable, for example to products or capacity. Factories are at the heart of the business alongside sales and are each separately "licensed" and incorporated regionally.

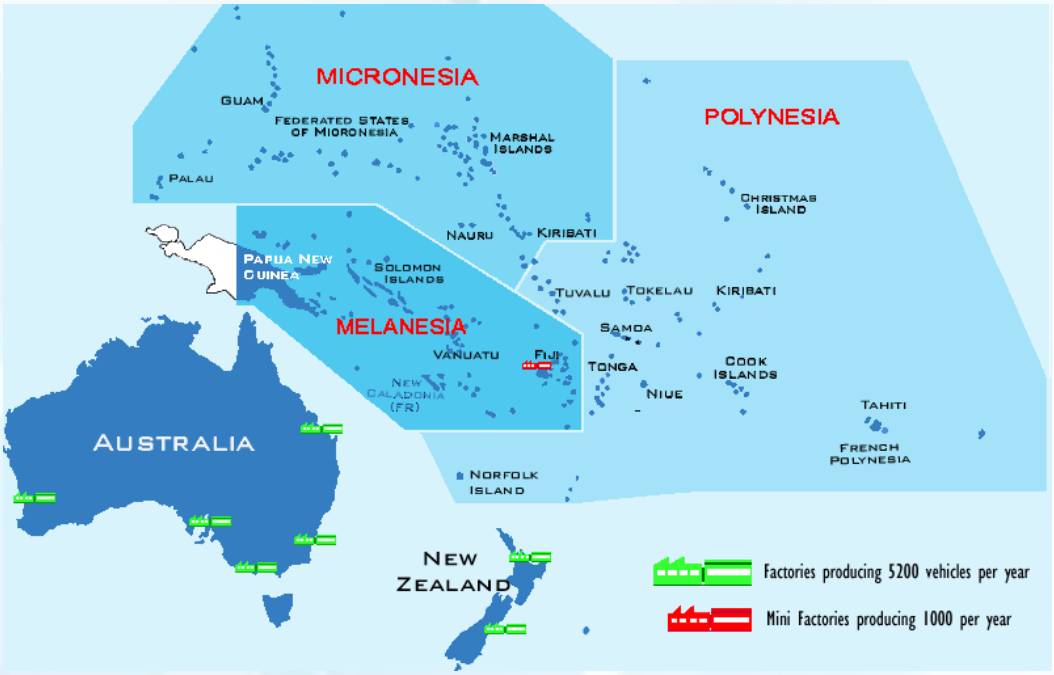
Governments will benefit from local manufacture, employment and suppliers, and solutions provided locally. Other beneficiaries include local industry, companies with an involvement

or vested interest, customers, and purely financial investors or stakeholders. Generated wealth can remain in the producing country or region and generate income.

Distributed manufacture has many advantages in addition to being cleaner and cost saving.

- **Political**: Regions control their energy and transport and export potential.
- **Employment:** Local employment and suppliers, with selected global synergies.
- **Community**: Self-sufficient technology benefits in energy and clean transport.
- **Economics:** Funding of factories can be local or external keeping profits local.

Regions can export to other Australasian regions where there is no factory.



Caption: AFG has exclusive rights to the total region above. We envisage numerous factories across the region and where non-existent forming an export bubble between regions

4.3 Global Rollout *Australasian showcase replication*

It is our goal in conjunction with MDI to create progressively a global Australasian showcase, replicable around the world. The coronavirus model has demonstrated how global interaction can work in that way, and climate change may enable the same. Australasia can be a world leader. Success at this may well lead to interim export in conjunction with MDI as factory rollout and product development takes on a global scale

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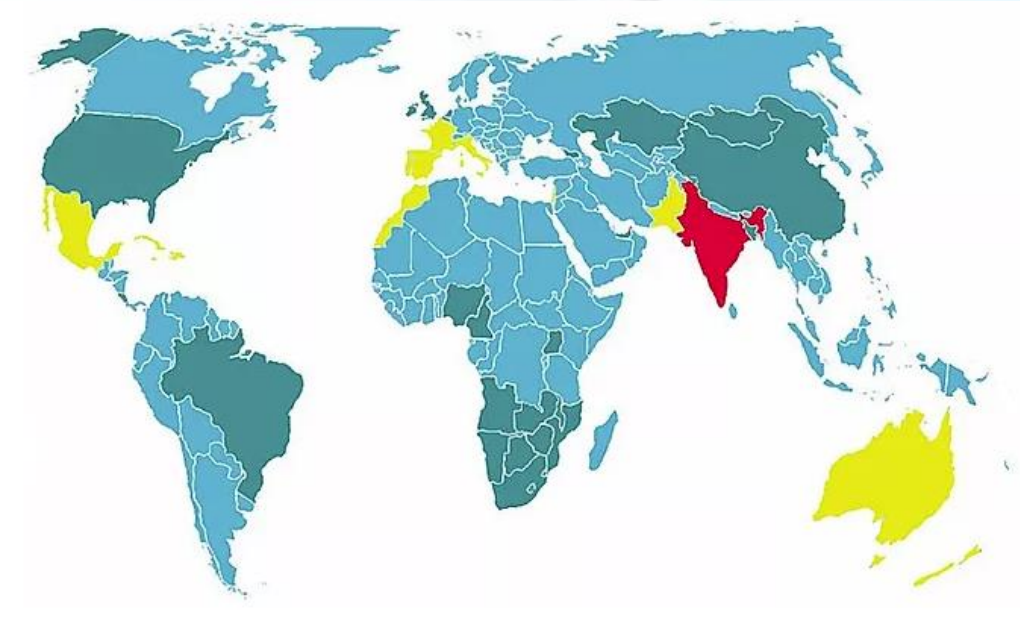


Caption: The MDI distributed regional production model spans the globe. Only India is a closed border due to the Tata Motors contract. The yellow are relationship areas with MDI; our being exclusive rights for Australasia which we seek to keep adding product and factories to. We will also coordinate with MDI to develop the model into the blue areas

5. CORPORATE - *Financials & team*

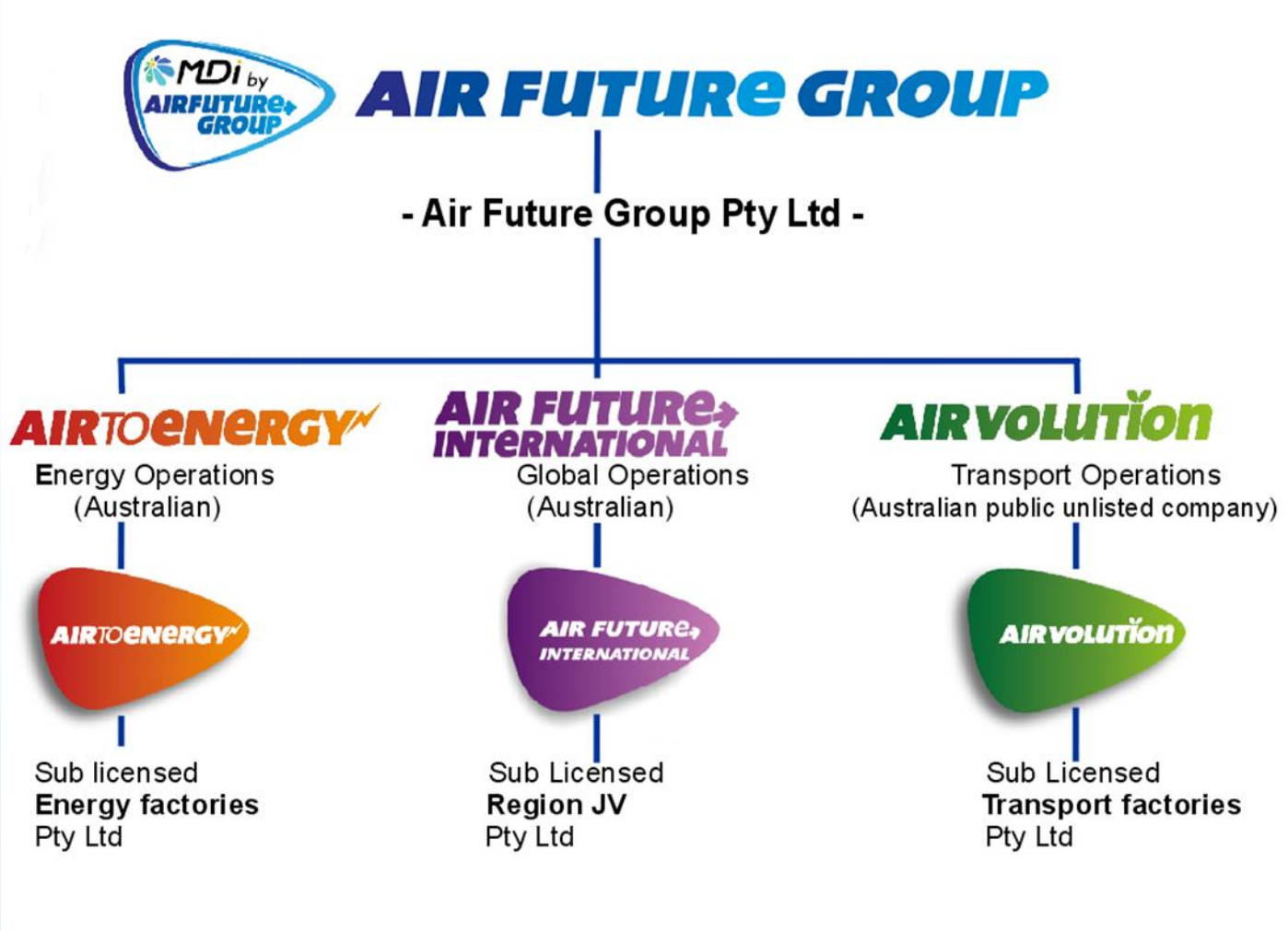
5.1 Corporate Overview – *structure & team*

Structure

Air Future Group Pty Ltd was preceded by a long period of development and gestation by MDI. What MDI created was revolutionary, with development supported by major corporations. From the early days the New Zealand entrepreneurial company Air Future Ltd backed MDI from 1999 and continued to support them ever since. They acquired the numerous exclusive licence rights and incubated the opportunity for Australasia. In doing so the NZ company established its own investor base to enable the above, holding the acquired energy rights and established initially the transport company Air Volution Ltd in Australia which holds the transport rights.

The NZ company is the passive incubator/seed investor, not the operating company to carry out the commercialisation. Now that products and manufacture are ready to commence in Australasia, the operating and commercialisation company was established as a clean company in 2019 in Australia as Air Future Group Pty Ltd. In this structure Air Volution Ltd and Air to Energy Pty Ltd are now subsidiaries of AFG as a group, with and the NZ company the main shareholder. That group now holds all the exclusive licence rights and goodwill developed.

Caption: The diagram shows the AFG operating group. Our incubating main shareholder is in NZ, and our technology partner has their development in France. Factories will be incorporated in joint equity between AFG and investors/partners.



Directors & Team

Russell Fitts: ***Executive Chairman.***

Russell has been executive chairman of the New Zealand incubating company since incorperated. He has built up a global network of contacts and fostered a close personal and business relationship with MDI. He has demonstrated a longstanding commitment to shareholders and the protection of key assets. He has extensive director, business & corporate governance experience. He previously farmed and fulfilled former executive roles in the Federated Farmers and was an Associate member of the NZ Institute of Valuers and Senior Member of the NZ Property Institute. He provided services to the Earthquake Commission from 2011 to 2015.

Mick Kain: ***Executive Director.***

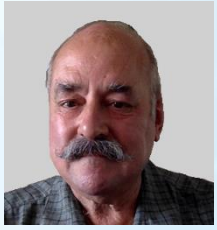
Mick has had a career in farming, investing and industrial property. He has been an executive director since inception of the New Zealand incubating company. His experience and contacts are invaluable to the Company, including his function of shareholder relationship and communication. He is committed to the various concepts that MDI founder Guy Nègre invented and then developed to make compressed air the energy carrier of the future, including their model of distributed manufacturing to re-invent small /local manufacturing. His input at Board and executive level is a driver for commercialisation and his cleaner climate commitment.

John Mennega: ***Director, Chief Executive Officer.***

John has an MBA, BE (Elect), Grad Dip Eng (Industrial), and Grad Dip Applied Finance & Investment. His background spans engineering, investment banking and management with significant experience in commercialising early stage businesses. John's financial and business experience included head of Funds Management Services for AMP Capital, head of corporate services for Colonial Bank and business development head for Platinum Asset Management, the then largest specialist fund manager. He has extensive boutique investment banking consulting experience to developing companies.

Francis (Pancho) DeNeefe: ***Non-Executive Director*** *(Air Volution Ltd only)*

Pancho combines a sharp scientific mind with the business acumen he acquired over twenty years in industry and marketing. Pancho has a physics background, and headed highway safety developments R&D in 1982 for the family business DeNeefe Science. He took a keen interest in the transport side and became one of AVL's most enthusiastic private investors. Pancho's skills in business have facilitated some of the ongoing funds required for incubation milestones to be achieved, along with identifying early external professional advisors.



Martin Richardson: ***Group Financial controller***

Martin holds a Bachelor of Accounting Science (Hons) and a Diploma in Income Tax law. After 3 years National Service in the South African Navy, he worked for Peat Marwick & Mitchell (now KPMG). He has experience in forensic and investigative accounting. His family emigrated from South Africa in 2003 to Christchurch. He worked for Pyne Gould Guinness, General Cable, Synlait, Tyco before being appointed as Group Financial Controller of Windflow for 9 years. He joined Air Future in 2018 to assist with the structure of the future growth platform.

Margaret Copplestone: ***Communications services***

Margaret is one of the group's strongest supporters and provides valued support specialising in websites, documentation, and communications, as well as Newsletter mail outs and communication and document liaison with MDI. She has been enthusiastic in her support for both the technology and the need to overcome the growing global pollution. She works across both the energy and transport.

MDI KEY PERSONNEL

Dr Cyril Nègre – *MDI President, Director*

Cyril is the President of MDI and Director of MDI R & D. He holds a PhD in Mechanical Engineering, and began his career in Bugatti Automobile car design, joining his family's company MDI in 1993. Cyril is AFG's key contact within MDI and organises and coordinates the support of their team. AFG's Director level strong personal relationship and investment with MDI goes back to 1998, with both Cyril's deceased father and founder Guy, and then closely with Cyril.

Annic Nègre – *MDI Director*

Annic is a Director and the wife of the MDI founder, the late Guy Nègre. Annic has been an essential influence in MDI since its inception and is a great supporter of Australasia. She and her late husband toured Australasia in August 2006 along with current CEO John Mennega, presenting the earlier stages of the technology and their enthusiasm for the region. They met with numerous political personnel including regional Lord Mayors, all of whom showed great enthusiasm for the opportunity when ready.

Monique Bertho – *Chief General Manager*

Monique is Chief General Manager MDI Group, providing much support and direction for AFG and Australasia. Along with Cyril she has a public profile addressing exhibitions and political bodies.

Caption: At the MDI factory in France, from left: John, Annic, Mick, Paul (our technology consultant), Russell, and Cyril.

5.2 Investment & financial – *how investors make money*

Staged rollout & growth

As addressed in the Summary there are three stages of rollout (commercialisation) and they can be independent, dependent, sequential, or parallel. Via this degree of flexibility we can manage and decrease project risk as we continually learn and achieve milestones. In table form the funding guidelines related to each stage are below, and these will subsequently be firmed up in related capital raising documents as generated.

Table Caption: Funding & Application of Funds – All currencies within document are Australian

ACTIVITIES	**STAGES**	**$ FUNDING** (Indicative)	**APPLICATION OF FUNDS**
* Markets * Tech transfer * Partners: - channels - funding	**1. Market Entry** markets & products	**$2.5 million est.** **Into AFG** Post transaction 10% holding	* Confirmation of markets, channels * Demonstrations & pilots for transfer * Resources recruitment
* Factory establish * Regional partners * Funding ***Note:*** Without local factories product would be imported.	**2. Factory Build** production & sales	**$12 - $25 million est.** (entry versus full factory) **Into "New Factory Pty Ltd"** Post transaction 49% holding. Balance held with AFL subsidiaries AVL & ATE.	* Construction of micro factory * Customer sales & service network * Training & development
Pipeline products * Project products *Global MDI rollout: - country licences - product projects	**3. Development** design & growth	**$ Projects.** **Est per each case** **Into an SPV or via AFI** ***Note:*** SPV will have principle product licence within the MDI JV	* Partners to product develop * Partners for licences * Government relations

Footnotes:

1. Abbreviations: AFG (Air Future Group Pty Ltd), AVL (Air Volution Ltd), ATE (Air to Energy Pty Ltd), AFI (Air Future International, not established till stage 3), SPV (special purpose vehicle – for joint venture project development).
2. ***Stages independence:*** Stage 1 is independent because we could decide to import instead of manufacture. Stage 2 is independent because initially it relates to existing products. Stage 3 is independent as it is progressive repetitive growth.

Companies: AFG is the operating company. The subsidiaries AVL and ATE are the specialist transport and energy companies for manufacture and technology transfer. Factories will be

incorporated for protection and investment. AFI focuses on product expansion domestically and globally via joint venture partners and MDI via SPV's.

Investment Air Future Group Pty Ltd will generate staged investment documents to seek funding and initially to firm up the offer to execute Stage 1. The following are some considerations:

Valuation Air Future Group Pty Ltd: During the incubation of the business by NZ Air Future Ltd alongside MDI's development over numerous years the share price and hence valuation was set by their shareholders, of which there are approximately 3,000, and their Board. On transfer of the assets and operations to the commercialising and operating company Air Future Group Pty Ltd, the latter's valuation was linked to the most recent significant NZ incubator raising. This was in 2016 with numerous smaller raising ongoing. We also carried out two other cross checks in deriving our value. The first was a comparable check across other staged private business capital raisings with sufficient commonality. The second a discounted cash flow of projected factories earnings model. The second presents too high a figure relative to stage risks. This valuation is reflected in the preceding table ($2.5M for 10% post transaction).

Valuation Factory: Valuation of the Factory is based on the financial modelling of the factory, based on numbers provided by MDI plus gleaned from the local industrial market. Those projections were based on a vehicle manufacture only, whereas the integrated factory of comprising both vehicle and energy will be more attractive still. The modelling was focused on EBITDA (earnings before tax, depreciation and amortisation) margins. The sales were based on factory capacity, which of course doesn't guarantee sales level. Hence to obtain sales target the importance of multiple products and markets per factory, plus progressive factory capacity and cost from entry to break even to full. The modularity enables progressive capital application to manage risks against sales and costs.

Timing is relevant: When applying time value of money the delay to profitability sits alongside increase in valuation and liquidity. A progressive valuation can capture future opportunities and milestones, which needs a market to realise it. With an active trading market such as the share market profit can take longer in revolutionary business – for example Tesla's huge surge in value without commensurate profit, or Amazon's without dividends. Liquidity in years 3 – 5 is a key objective if circumstances support it. The following shows estimates.

Timing for each stage post its own funding

The following addresses only a single factory for Australasia and global support for MDI. The intention is to construct numerous factories across Australasia near to geographic population markets.

Stage 1: Market entry - markets & products (post first stage funding)

Confirmation of markets & channels	Demonstrations & pilots for technology transfer	Resources, recruitment & training
First 3 months	Second 3 months (subject to MDI)	Included

Stage 2: Factory build - production & sales (post second stage funding)

Construction of micro factory	Customer sales & service network	Training & recruitment
First 7-9 months	Included	Three months (including MDI)

Stage 3: Development – design & growth (ongoing projects)

Partners to product development	Partners for licences	Government relations
Not scheduled	Not scheduled	Not scheduled

How investors make money

Subject to projections being met the following guidelines are intended:

Share price: The share price will be increased when deemed appropriate.
Dividends: Dividends can be considered subject to shareholders desires.
Dilution: Factories are subsidiary so their funding will not dilute AFG.
Trading: We will seek to facilitate share trading if such capabilities exist.
Liquidity: It is anticipated that between three to five years post operations we will consider a liquidity event such as a listing or trade deal for example.

All these considerations will be subject to the communications between the Board and shareholders and the circumstances of the business.

Financials

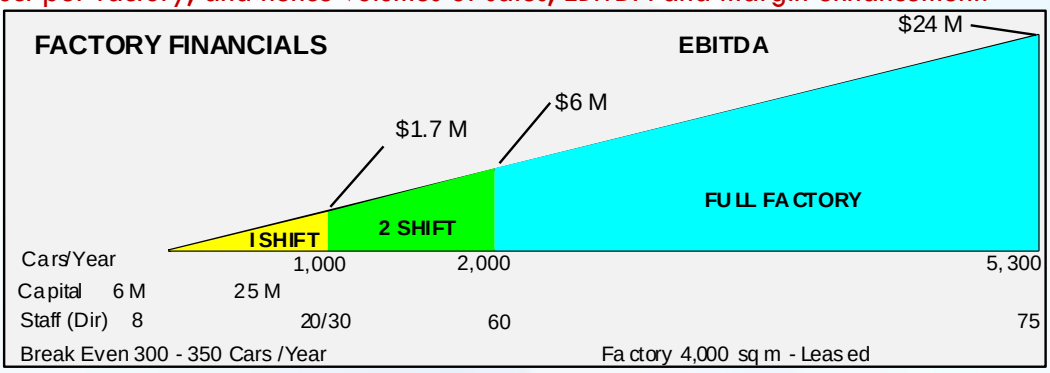
As a licensed partnership MDI is post revenue, generated from industrial clients but not yet from its global commercialisation model under licences. They have also generated technology and products ready for commercialisation and for further development. AFG, established in 2019 specifically for Australasian commercialisation, is ready to proceed. On establishment it is both pre revenue and costs – so no income sheet. It does have a balance sheet with assets and no liabilities, reflecting the ATE and AVL subsidiaries and their respective licence rights and developments. The AFG shareholders are five, incubating shareholder NZ company Air Future Ltd as the majority, and the three Directors and the Air Future Group Supporters Trust as the minority shareholders. Director have largely deferred their salaries which have been accrued in being the incubating company and AVL. Details can be made available to investors.

As a Group (AFG/ATE/AVL) the income and value is related to the factory subsidiaries. In modelling that income the following were the assumptions.

- A single factory only, that factory being vehicle that detailed modelling is not contained herein but is the basis for the financial summary to follow.
- Sales are assumed to be equal to factory production to enable focus purely on the financial characteristics and margins. The model commences construction and break even, then 1,000 vehicle sales in year two, 2,000 vehicle sales in year three and full factory production of 5,300 vehicles per year in years four & five – spanning all Australasia, consumer and commercial, and optionally exports to MDI. Margins are estimated at 35% for smaller vehicle, and more for larger.

- Whilst these are the modelled figures using one product, the actual likely margin will be considerably more favourable since it is the intention to produce multiple products from one factory – transport and energy.

Caption: Modelling performed on single factory production for AirPod product only, based on production capability. The notes herein explain the variables to that model, as they relate to product per factory, and hence volumes of sales, EBITDA and margin enhancement.



5.2 Company & Legal – *the important formalities*

Investor Risks: It should be clear to any reader that climate, renewable energy and clean transport are in a world of uncertainty, risks and opportunities. Also whilst there is some industrial track record in MDI products, and hence third party verification by their actions, MDI products and their manufacture have not been broadly commercialising. Their products are revolutionary and commercially disruptive, and we have not yet proven the market or established resources, both which we seek to do in stage one. And funding has to be procured.

Taking on board these obvious risks there are just a few we draw special attention to, including thei potential mitigation.

- ***Key people:*** The CEO's of MDI and AFG are key people and we will be looking closely at both succession and the supporting team for sustainablility.
- ***Competition:*** In revolutionary environents one doesn't know what will prevail. Our view is that the market niches are very broad for our capabilities.
- ***Economics:*** We have entered locally and globally into a pronounced downturn driven by the pandemic. The resupts of that are not yet know.
- ***Manufacture:*** New manufacture has many uncertain elements from operation to human to utilities to misadventure. We will insure and manage prudently.
- ***Funding:*** Any funding is uncertain and our progress will depedent on it. We are fortunate to have contacts globally with innovative developments being sought.
- ***Recruitment:*** Our factories and business requires staffing potentially across various regions. We will need to be ready to upskill and seek recruitment aid.
- ***OH&S:*** Factories are an occupational health and safety environent. We will take extra care. We will also seek to be an employer-of-choice with best practices.
- ***Timeline:*** Time can be the enemy of any business or investor. We believe that the 1/3/5 year timeframe is ample to achieve our goals given our stage.
- ***Sales:*** The ultmate anchor. Whilst distributed energy has high momentum subject to storage, clean vehicles are still lagging. We will seek a very broad geograhpic and product scope to create an attractive and competiive position.

Footnote: We have undertaken considerable work to assess the impact of the Covid-19 pandemic and will manage dynamically and safely in case of more waves.
Disclosure: No external party has checked this document. Much of the information has relied on other parties, some examples being MDI, the media, government, or other businesses. Much of what

we include is predictive, and the future is highly uncertain. Therefore this document is only intended as an introduction to the business, not as a basis for any action.
Whilst we have undertaken best endeavours there is no assurance of the accuracy in this document. Those seeking any action should do their own research and contact the business for further information, for example website content or executives.

Disclaimer: Based on this document's disclosure no responsibility can be undertaken for any actions or damages alleged to have been caused by this document or any inaccuracies presented.

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REFEENCES

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Documents:
www.airfuturegroup.com.au/documents/business

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Facebook https://www.facebook.com/AirFutureNZ
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