



## ORBITAL CORPORATION LIMITED APPENDIX 4D

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### Company Details

<b>Name of Entity:</b>	Orbital Corporation Limited
<b>ABN:</b>	32 009 344 058
<b>Reporting period:</b>	Half Year ended 31 December 2022
<b>Previous corresponding period:</b>	Half Year ended 31 December 2021

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### Results for announcement to the market

				<b>A\$'000</b>
Total revenue from continuing operations	Up	43%	to	12,747
Net loss from continuing operations after tax	Down	64%	to	(1,808)
Net loss for the period attributable to members	Down	64%	to	(1,808)

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### Net tangible assets per share

	<b>31 Dec 2022</b>	<b>30 June 2022</b>
Net tangible assets per share (cents)	<b>-0.17</b>	<b>-1.32</b>

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### Dividends

There is no proposal to pay dividends for the half year ended 31 December 2022

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# CORPORATE INFORMATION

ABN 32 009 344 058

## REGISTERED AND PRINCIPAL OFFICE

4 Whipple Street  
Balcatta, Western Australia 6021  
Australia

 | @OrbitalCorpASX

 | OrbitalUAV

## CONTACT DETAILS

### Australia

Telephone: 61 (08) 9441 2311

Facsimile: 61 (08) 9441 2111

### USA

Address: 210 Wasco Loop, Hood River, OR 97031, USA

Telephone: +1 541.716.5930

## INTERNET ADDRESS

<http://www.orbitaluav.com>

Email: [contact@orbitalcorp.com.au](mailto:contact@orbitalcorp.com.au)

## DIRECTORS

J.P. Welborn, Chairman

T.M. Alder, Managing Director and Chief Executive Officer

S.B. Gallagher

F.K. Abbott

## COMPANY SECRETARY

T.B. Spencer

## SHARE REGISTRY

### Link Market Services Limited

Level 12 QV1 Building

250 St Georges Terrace

Perth, Western Australia 6000

Telephone: 61 (08) 9211 6670

## SHARE TRADING FACILITIES

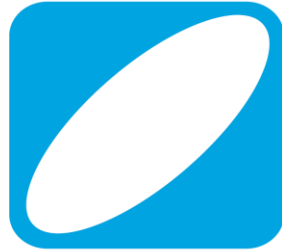
Australian Stock Exchange Limited (Code "OEC")

## AUDITORS

### PricewaterhouseCoopers

125 St Georges Terrace

Perth, Western Australia 6000



**ORBITAL**<sup>®</sup>  
UAV

**31 December 2022**  
**Half-Year Financial Report**

# DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Your Directors submit their report for the half-year ended 31 December 2022

## DIRECTORS

The following persons were Directors of the Company during the half-year ended 31 December 2022 and up to the date of this report.

Name	Information on Directors
John Welborn	Chairman (Non-executive)
Todd Alder	Managing Director and Chief Executive Officer
Steve Gallagher	Non-Executive Director
Kyle Abbott	Non-Executive Director

## REVIEW AND RESULTS OF OPERATIONS

Orbital UAV operates within the tactical unmanned aerial vehicle ('UAV') market. The Group provides world leading propulsion system solutions and flight critical components that deliver customers flight endurance, reliability and power-to-weight advantages.

### Financial Review

The Group's consolidated revenue for the period was \$12,747,000 (2021: \$8,889,000) with a loss before income tax from continuing operations of \$1,808,000 (2021: loss of \$1,010,000). This includes \$2,400,000 of revenue and materials and consumable expenses related to a settlement of cost reimbursement dispute, having nil net profit impact in the current period. The loss before income tax from continuing operations includes an unrealised foreign exchange gain of \$5,000 (2021: unrealised foreign exchange gain of \$490,000). The loss excluding income tax and unrealised foreign exchange from continuing operations for the period was \$1,813,000 (2021: loss of \$1,500,000).

At 31 December 2022, cash, term deposits and receivables were \$6,535,000 (June 2022: \$3,956,000). Net cash from operations during the period was \$56,000 (net cash used in operations in the prior period 2021: \$3,228,000).

### Operational Review

Revenue of \$12,747,000 for the half-year ended 31 December 2022 was comprised of \$10,347,000 sales income of established engine models under the Company's long term agreement ('LTA') with Insitu, a wholly owned subsidiary of the Boeing Company, and engineering services income from development programs across Orbital UAV's growing customer portfolio. \$2,400,000 revenue was related to the settlement of a cost reimbursement dispute, with offsetting materials and consumable expenses.

Orbital UAV continues to progress with delivery of engine production for Boeing-Insitu. Engineering studies and pre-production prototyping activities for Lycoming/Textron Systems and a major Singapore customer are also progressing against agreed mandates.

### WA Government Loan Milestones

As outlined in Note 8, Orbital UAV received formal confirmation of a Deed of Variation in January 2023 to adjust terms of the \$8.6M WA Government Loan. The director's believe that the current, more flexible terms of the loan will be beneficial and allow for an accelerated offset over a reduced term.

### New customer programs

During the period, the Company continued to diversify and strengthen its customer portfolio, announcing new agreements with AeroVironment Inc and Animal Dynamics.

AeroVironment – one of the largest suppliers of unmanned aerial systems ('UAS') to the US defence forces purchased an Orbital heavy fuel engine for testing and application into the company's JUMP@20 UAS. The JUMP@20 represents AeroVironment's submission for the Future Tactical Unmanned Aircraft System (FTUAS) program for the US Army – the largest global tactical UAS program currently under tender.

In December, UK-based Animal Dynamics signed a Memorandum of Understanding ('MoU') with Orbital to explore the development of an advanced propulsion system for the company's new cargo UAS solution, the Stork-STM. Under the agreed structure of the MoU, Orbital submitted initial engine concept designs to Animal Dynamics at the end of 2022.

In addition to these two new customers, an initial contract of work was also announced with Anduril Industries, following on from the MoU signed in May 2022. The engineering contract was to support the development of an engine for Anduril's newest UAS as the company continues to build its global position in the unmanned domain.

# DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

## New share issue (Placement)

Orbital UAV's growth and capital requirements saw the Company launch a Placement in November 2022 to raise up to A\$5M. The Placement includes one free attaching option for every 2 shares issued under the placement, with each option having an exercise price of \$0.35 and expiring three years from date of issue. The Placement was proposed to take place in two tranches, the first \$2.5m being issued in December 2022 and the balance requiring shareholder approval at a General Meeting scheduled in January 2023. Funds raised are to be directed towards:

- new engine development programs;
- and general working capital.

The Placement was well supported by eligible participants in the first tranche. After shareholder approval was granted in January 2023, the second tranche was also well supported by existing shareholders including UIL Limited and First Sentier Investors as well as all of the Company's Directors. Participants in the Placement received one free attaching option for every 2 shares purchased. Options have an exercise price of \$0.35 and an expiry date of 7 February 2026.

## COVID-19

Throughout the COVID-19 pandemic, Orbital UAV has continued to implement proactive and ongoing risk mitigation to ensure its people remain safe and well, and operations in Australia and the USA continue with minimal disruption.

The attached report for the half-year ended 31 December 2022 contains an independent auditor's review report which includes a paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

## Outlook

The restructure of the Company's WA Government loan and the successful completion of the Placement has strengthened Orbital UAV's balance sheet and provided funds to progress the Company's growth aspirations – specifically the near-term expansion of its engine production lines in Balcatta, Australia.

The Company has a growing portfolio of contracted and globally recognised customers. With an increasing pipeline of opportunities within both defence and commercial markets, Orbital UAV continues to build its revenue growth potential and enhance its reputation as a world leader in the design and delivery of UAV engines.

## Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2022.

## Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the half-year financial report and Directors' Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.



Todd Alder  
Managing Director & Chief Executive Officer  
Perth, 28 February 2023



## Auditor's Independence Declaration

As lead auditor for the review of Orbital Corporation Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review.
- (b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Orbital Corporation Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ian Campbell', is positioned above the printed name.

Ian Campbell  
Partner  
PricewaterhouseCoopers

Perth  
28 February 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	2022 \$'000	2021 \$'000
<b>Continuing operations</b>			
Sale of goods		10,864	6,906
Engineering services income		1,881	1,978
Royalty and licence income		-	5
Interest revenue		2	-
<b>Total revenue</b>		<b>12,747</b>	<b>8,889</b>
Other income		806	2,271
Materials and consumables expenses		(7,215)	(3,431)
Write down of obsolete inventory		(92)	(630)
Employee benefits expenses		(5,096)	(5,135)
Depreciation expenses		(520)	(481)
Amortisation of intangibles	4	(138)	(138)
Engineering consumables and contractors expenses		(340)	(387)
Occupancy expenses		(279)	(295)
Travel and accommodation expenses		(154)	(110)
Communications and computing expenses		(379)	(506)
Patent expenses		(87)	(192)
Insurance expenses		(427)	(532)
Audit, compliance and listing expenses		(350)	(296)
Finance costs		(20)	(164)
Warranty expenses		(142)	(80)
Other expenses		(127)	(381)
Foreign exchange gains/(losses)		5	588
<b>Loss before income tax from continuing operations</b>		<b>(1,808)</b>	<b>(1,010)</b>
Income tax expense		-	(4,070)
<b>Loss for the period from continuing operations</b>		<b>(1,808)</b>	<b>(5,080)</b>
<b>Loss for the period</b>		<b>(1,808)</b>	<b>(5,080)</b>
Attributable to:			
Equity holders of the parent		(1,808)	(5,080)
<b>Loss for the period from continuing operations</b>		<b>(1,808)</b>	<b>(5,080)</b>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(4)	(504)
<b>Total comprehensive loss for the period</b>		<b>(1,812)</b>	<b>(5,584)</b>
Attributable to:			
Equity holders of the parent		(1,812)	(5,584)
<b>Total comprehensive loss for the period</b>		<b>(1,812)</b>	<b>(5,584)</b>
Basic loss for the period attributable to ordinary equity holders of the parent (cents)		(1.95)	(5.58)
Diluted loss for the period attributable to ordinary equity holders of the parent (cents)		(1.95)	(5.58)

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

<b>ASSETS</b>	Notes	<b>31 Dec 2022</b>	30 June 2022
		<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash and cash equivalents		<b>3,340</b>	2,363
Other financial assets		<b>764</b>	586
Trade and other receivables		<b>2,431</b>	1,007
Inventories	3	<b>6,357</b>	11,074
Prepayments		<b>440</b>	172
Finance lease receivable		<b>335</b>	184
<b>Total current assets</b>		<b>13,667</b>	15,386
<b>Non-current assets</b>			
Intangibles	4	<b>2,943</b>	3,402
Deferred taxation asset	5	-	-
Plant and equipment		<b>1,494</b>	1,705
Inventories	3	<b>704</b>	1,776
Right-of-use asset		<b>668</b>	341
Finance lease receivable		-	-
<b>Total non-current assets</b>		<b>5,809</b>	7,224
<b>Total assets</b>		<b>19,476</b>	22,610
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities		<b>1,572</b>	3,060
Deferred revenue		<b>1,268</b>	4,046
Borrowings	7	<b>8,486</b>	8,486
Government grants		<b>6</b>	113
Lease liabilities		<b>1,022</b>	766
Provisions		<b>4,230</b>	3,892
<b>Total current liabilities</b>		<b>16,584</b>	20,363
<b>Non-current liabilities</b>			
Lease liabilities		<b>80</b>	-
Provisions		<b>48</b>	48
<b>Total non-current liabilities</b>		<b>128</b>	48
<b>Total liabilities</b>		<b>16,712</b>	20,411
<b>Net assets</b>		<b>2,764</b>	2,199
<b>Equity</b>			
Share capital	6	<b>39,982</b>	37,683
Reserves		<b>2,682</b>	2,605
Accumulated losses		<b>(39,900)</b>	(38,089)
<b>Total equity</b>		<b>2,764</b>	2,199

The accompanying notes form part of the financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Share capital	(Accumulated losses)	Employee equity benefits reserve	Foreign currency translation reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2022</b>	<b>37,683</b>	<b>(38,089)</b>	<b>2,665</b>	<b>(60)</b>	<b>2,199</b>
Loss for the period	-	(1,808)	-	-	(1,808)
Foreign currency translation	-	(4)	-	(4)	(8)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1,812)</b>	<b>-</b>	<b>(4)</b>	<b>(1,816)</b>
Issue of ordinary shares	2,300	-	-	-	2,300
Share based payments	-	-	81	-	81
<b>At 31 December 2022</b>	<b>39,982</b>	<b>(39,901)</b>	<b>2,746</b>	<b>(64)</b>	<b>2,763</b>
<b>At 1 July 2021</b>	<b>31,265</b>	<b>(26,958)</b>	<b>2,600</b>	<b>435</b>	<b>7,342</b>
Loss for the period	-	(5,080)	-	-	(5,080)
Foreign currency translation	-	-	-	(504)	(504)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(5,080)</b>	<b>-</b>	<b>(504)</b>	<b>(5,584)</b>
Issue of ordinary shares	6,374	-	-	-	6,374
Share based payments	44	-	2	-	46
<b>At 31 December 2021</b>	<b>37,683</b>	<b>(32,038)</b>	<b>2,602</b>	<b>(69)</b>	<b>8,178</b>

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		11,889	10,651
Cash paid to suppliers and employees		(11,815)	(13,854)
Interest received		2	-
Interest paid		(20)	(25)
<b>Net cash from/(used) in operating activities</b>		<b>56</b>	<b>(3,228)</b>
<b>Cash flows from investing activities</b>			
Payments for intangible asset		(404)	(811)
Purchase of plant and equipment		(239)	(527)
<b>Net cash used in investing activities</b>		<b>(643)</b>	<b>(1,338)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		2,500	6,479
Share issue transaction costs		(200)	(105)
Principal elements of lease payments		(547)	(494)
Proceeds from loan advances		(107)	-
<b>Net cash from financing activities</b>		<b>1,646</b>	<b>5,880</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,059</b>	<b>1,314</b>
Cash and cash equivalents at 1 July		2,363	3,116
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(82)	121
<b>Cash and cash equivalents at 31 December</b>		<b>3,340</b>	<b>4,551</b>

The accompanying notes form part of the financial statements.

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Reporting Entity

The consolidated financial statements for the half-year ended 31 December 2022 of Orbital Corporation Limited ("the Company" or "the Parent") and its subsidiaries (collectively, "the Group") were authorised for issue by the Company's Directors on 28 February 2023.

The Company is a for-profit company limited by shares domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange ("ASX"). The registered office of the Group is 4 Whipple Street, Balcatta, Western Australia.

The Group is principally engaged in revolutionary design, proven manufacturing processes and rigorous testing to deliver superiority in UAV propulsion systems and flight critical components. The Group drives its UAV-focused strategy from its dedicated production facilities in WA, Australia and Oregon, USA.

### (b) Basis of preparation

This general purpose consolidated financial report for the half-year ended 31 December 2022 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2022 and considered together with any public announcements made by the Company during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX listing rules.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the AASB.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

Certain comparatives have been reclassified to conform with current year presentation.

### (c) New Accounting Standards and Interpretations

There are no new relevant accounting standards for the current period.

### (d) Going concern assumption

The half-year financial statements have been prepared on a going concern basis, which assumes the Group will continue its operations and be able to meet its obligations as and when they become due and payable. This assumption is based on the Group's ability to meet its future cash flow requirements given the cash flow projection, and existing cash reserves held as at 31 December 2022.

For the six months ended 31 December 2022, the Group recorded an after tax loss of \$1,808,000 and had operating cash in flows of \$56,000. At 31 December 2022 the Group had net assets of \$2,764,000 and net current liabilities of \$2,917,000.

The Group also had cash inflows from financing activities of \$1,646,000 leading to positive cash inflows for the half of \$1,059,000

The going concern assumption is based on the Group's cash flow projections and existing cash reserves as at 31 December 2022 and covers a period of at least twelve months from the date of this report.

The projections show that the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon a number of factors including:

- meeting the renegotiated terms of the WA government loan, as described in note 8, such that repayments are not required within the forecast period;
- achieving forecasted operational performance and positive operating cash flows from the existing engine production and engineering programs;
- continued success in developing and commercialising new engines;
- reducing overheads through cost saving initiatives; and
- securing funding above and beyond the Group's existing committed facilities if required.

As a result of these matters, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors consider that the Group will be successful in the above matters and have therefore prepared the financial report on a going concern basis.

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

## 2. OPERATING SEGMENTS

### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Segment performance is evaluated based on Revenue and Earnings Before Interest and Tax ("EBIT") which is allocated to the reportable segments according to the geographic location in which the item arose or relates to.

### Segment information

Half year ended 31 December 2022

	Australia		US		Consolidated	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sale of goods	10,866	6,906	-	-	10,866	6,906
Other revenue	1,881	1,983	-	-	1,881	1,983
Segment revenue	12,747	8,889	-	-	12,747	8,889
EBIT	(1,448)	(270)	(340)	(576)	(1,788)	(846)
Finance expenses	(14)	(150)	(6)	(14)	(20)	(164)
<b>(Loss)/Profit before income tax</b>	<b>(1,462)</b>	<b>(420)</b>	<b>(346)</b>	<b>(590)</b>	<b>(1,808)</b>	<b>(1,010)</b>

	Australia		US		Consolidated	
	31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets	19,348	22,457	128	153	19,476	22,609
Liabilities	16,542	20,199	170	212	16,712	20,411
<b>Net assets</b>	<b>2,806</b>	<b>2,257</b>	<b>(42)</b>	<b>(59)</b>	<b>2,764</b>	<b>2,198</b>

## 3. INVENTORIES

	31 Dec 2022	30 June 2022
	\$'000	\$'000
Raw materials	8,549	11,946
Provision for obsolescence	(3,059)	(2,991)
Work in progress	1,572	3,671
Finished goods	-	224
	<b>7,061</b>	<b>12,850</b>
Current	6,357	11,074
Non Current	704	1,776
	<b>7,061</b>	<b>12,850</b>

### Recognition and measurement

Inventories are carried at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Raw materials:** weighted average cost
- **Finished goods and work in progress:** weighted average cost of direct materials and direct manufacturing labour and a proportion of manufacturing overhead costs

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

## 4. INTANGIBLES

Consolidated	Model 2019 Development \$'000	Model 2021 Development \$'000	Total \$'000
<b>31-Dec-22</b>			
Cost	2,611	3,485	<b>6,096</b>
Accumulated amortisation and impairment	(1,009)	-	<b>(1,009)</b>
R&D tax offset recognised	(1,421)	(723)	<b>(2,144)</b>
<b>Net carrying amount</b>	<b>181</b>	<b>2,762</b>	<b>2,943</b>
<b>Movement</b>			
Net carrying amount at the beginning of the half-year	319	3,083	<b>3,402</b>
Additions	-	402	<b>402</b>
Amortisation for the year	(138)	-	<b>(138)</b>
R&D tax offset recognised	-	(723)	<b>(723)</b>
<b>Net carrying amount at the end of the half-year</b>	<b>181</b>	<b>2,762</b>	<b>2,943</b>
<b>30-Jun-22</b>			
Cost	2,611	3,083	<b>5,694</b>
Accumulated amortisation and impairment	(871)	-	<b>(871)</b>
R&D tax offset recognised	(1,421)	-	<b>(1,421)</b>
<b>Net carrying amount</b>	<b>319</b>	<b>3,083</b>	<b>3,402</b>
<b>Movement</b>			
Net carrying amount at the beginning of the half-year	595	1,386	<b>1,981</b>
Additions	-	1,697	<b>1,697</b>
Amortisation for the year	(276)	-	<b>(276)</b>
<b>Net carrying amount at the end of the half-year</b>	<b>319</b>	<b>3,083</b>	<b>3,402</b>

The Intangible assets comprise of capitalised development costs for the advancement of the modular propulsion systems. The intangible assets will be amortised using the straight-line method over a finite period of 5 years. Orbital recognised \$723,090 of R&D tax offset for period.

## 5. Taxes

Due to future uncertainties in the business as set out in note 1D, deferred taxes assets are only recognised to the extent of existing deferred tax liabilities.

## 6. Share Capital

	31-Dec-22 \$'000	30-Jun-22 \$'000
Ordinary shares issued and fully paid	<b>39,983</b>	37,683
<b>Movement in ordinary shares</b>		
	<b>Number</b>	<b>\$000's</b>
At 1 January 2022	90,996,694	37,683
Employee Share plan number 1	-	-
<b>At 30 June 2022</b>	<b>90,996,694</b>	<b>37,683</b>
At 1 July 2022	<b>90,996,694</b>	<b>37,683</b>
Issue of ordinary shares	<b>12,500,000</b>	<b>2,500</b>
Share issue transaction costs	-	<b>(200)</b>
Conversion of performance rights	<b>1,006,641</b>	-
<b>At 31 December 2022</b>	<b>104,503,335</b>	<b>39,983</b>

In December 2022, the Group raised \$2.5 million from a placement to both existing and new institutional and sophisticated investors to strengthen the Group's balance sheet as part of a two tranche Placement.

In September 2022, the 1,006,641 performance rights were converted to ordinary shares in accordance with the applicable terms.

# NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

## 7. Borrowings

	31-Dec-22 \$'000	30-Jun-22 \$'000
Current	8,486	8,486
Non-current	-	-
	<b>8,486</b>	<b>8,486</b>

Changes in borrowings arising from financing activities are as follows:

	\$'000
At 1 July 2022	8,486
Loan forgiveness grant income	-
Grant income (interest income)	-
Interest expenses	-
<b>At 31 December 2022</b>	<b>8,486</b>

On 25 January 2010, the Department of Jobs, Tourism, Science and Innovation ("JTSI") provided the Group with an interest-free loan of \$14,346,000 under the terms of a Deed (Acknowledgment of Debt) ("the Deed"). The terms and conditions attached to the Deed are as follows:

- The term of the loan was 25 January 2010 to 30 May 2025
- The loan balance \$9.9M was reclassified as current borrowings under the loan terms in place at 30 June 2021 while it was under renegotiation.
- Orbital successfully renegotiated the loan and received formal confirmation of a Deed of Variation on 12 August 2021.
- The Deed of Variation includes an extended repayment schedule over the next four years and repayment offset options up to the entire value of the loan. The loan also remained interest free.
- The repayment offset options provide the potential to forgive the entire value of the loan. The offset provisions are contingent on the Company achieving operational milestones aligned with its increasing engine business in Australia over the four-year period.
- For the year ended June 2022, Orbital achieved some operational milestones and reduced the loan by \$1.5M.
- On 16 December 2022, extension was granted to allow the Company to refine the milestones and submit application for further offsets until 25 February 2023. The loan balance \$8.4M remains classified as current borrowings until new milestones have been successfully met (Note 8).

The remaining contractual maturities of the loan are:

	0-2 years \$'000	Total contractual cashflows \$'000	Carrying amount of liabilities \$'000
<b>At 31 December 2022</b>			
Borrowings	<b>8,486</b>	<b>8,486</b>	<b>8,486</b>

## 8. SUBSEQUENT EVENTS

On 16 November 2022, Orbital UAV announced to raise \$5,000,000 at \$0.20 per share, including one free attaching option for every two shares issued under the placement, subject to shareholder approval, with each option having an exercise price of \$0.35 and expiring three years from date of issue. On 13 January 2023, Orbital UAV held a General Meeting where approval was granted for the issue of new shares and options. On 1 February 2023, a further 12,500,000 ordinary shares were issued for consideration of \$2,500,000 (before fees). On 7 February 2023, new Options were issued for nil cash consideration and were valued at \$1,033,205 using the Black Scholes method of calculation at issue date.

On 31 January 2023, the Group entered into a new Deed of Variation for the existing terms of the Loan (Note 7). The Variation Deed shortens the term of the loan to 31 December 2024 (previously 30 May 2025) and it also varies the repayment offset options to align more closely to current business operations. The loan is classified as current until new milestones have been subsequently met. At the date of this report, the Company has applied for milestone recognition valuing \$3,250,000 and is awaiting confirmation from JTSI for offset to current balance of the loan.

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Orbital Corporation Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the financial position as at 31 December 2022 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



T.M. Alder  
Managing Director and Chief Executive Officer

Perth, Western Australia  
Dated: 28 February 2023



## ***Independent auditor's review report to the members of Orbital Corporation Limited***

### **Report on the half-year financial report**

#### **Conclusion**

We have reviewed the half-year financial report of Orbital Corporation Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Orbital Corporation Limited does not comply with the *Corporations Act 2001* including:

1. Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date.
2. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### **Material uncertainty relating to going concern**

We draw attention to Note 1(d) in the half-year financial report, which indicates that for the six months ended 31 December 2022, the Group recorded an after-tax loss of \$1,808,000 and, as of that date, the Group's current liabilities exceeded its current assets by \$2,917,000. The Group identified a number of factors that may impact on achieving future expected cash flows, including meeting the renegotiated terms of the WA Government loan. These conditions, along with other matters set forth in Note 1(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter





### **Responsibilities of the directors for the half-year financial report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

### **Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A stylized, handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'I. Campbell'.

Ian Campbell  
Partner

Perth  
28 February 2023