

ASX ANNOUNCEMENT

31 January 2024

QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Period Ending 31 December 2023

HEADLINES

- \$4.6m **revenue** recorded in the quarter in line with forecast.
- \$0.5m **Grant income** for WA Government Loan repayment received in December 2023.
- **Production and shipping** ahead of forecasts for YTD.
- **Engineering Programs** for Textron and Singapore Customer continue to progress well with first orders now placed with both groups.

Orbital Corporation Ltd ('Orbital UAV', 'the Company') presents its quarterly activities report for the period ended 31 December 2023.

REVENUE

Orbital's production team performed well in the second quarter and delivered ahead of shipment forecasts for Boeing Insitu engine lines. Revenues climbed to \$6.5m for the year to date (+\$0.5m against budget) and maintains the pace for completion of the Boeing Insitu orders within FY24.

New production lines for the Textron and Singapore Customer programs are currently in the latter stages of the development lifecycle and remain on target for first deliveries in the second half of the financial year. Total revenues from Engineering activities achieved \$1.8m (-\$0.7m behind forecast) for the half. Management anticipates recovering part of the first half revenue shortfall within the second half of the year.

GRANT INCOME

Other income of \$0.5m was recognised in December 2023 upon successful delivery of milestones against the WA Government Loan program. Orbital has also achieved credits totalling \$1.6m for application against future repayment milestones and is well placed to achieve full repayment by December 2024. The loan balance now stands at \$3.4m at the end of the quarter and is forecast to close the year at \$2.4m.

PRODUCTION AND SHIPPING

Gross revenues for Production and Engineering activities realised in Q2'FY24 is \$4.6m and in line with internal forecasts. Orbital is engaged with 4 major groups and 4 separate engine models throughout the period. While production and shipping is ahead of schedule for the YTD, some engineering programs are behind milestone forecasts for the year to date. The management team believes that these programs can be materially recovered by the end of the financial year coinciding with the production readiness for the 2 new engine models scheduled for the second half.

ENGINEERING PROGRAMS

New engine models are under development for Textron and Orbital's Singapore Customer. These two models are larger platforms than previously developed, leading to enhanced power, greater maximum take-off weight and heavier payload delivery. Both lines are in the latter stages of verification and validation phases with customers and have performed well in flight trials on different integrated platforms.

FINANCIAL RESULTS (UNAUDITED)

For the quarter ending 31 December 2023:

	Q1'FY24 A\$M	Q2'FY24 A\$M
Revenue	3.9	4.6
Underlying EBITDA	(0.9)	0.9
Underlying EBIT	(1.3)	1.0
NPAT	(1.3)	0.8
Cash & Cash Equivalents	4.8	4.6
Loans	(4.0)	(3.4)
Net Assets	8.5	10.2

Financial Commentary (prior quarter comparison)

Revenue

- Underpinned by Production lines for 2 existing engines and engineering development of 2 further engine models.
- Underlying EBITDA improved in second quarter with improvements to cost maintenance and supply chain management.
- EBIT also benefited from loan repayment grant income of \$0.5m in Q2

Cash Position

- Cash position is relatively unchanged in Q2, debtors has grown to \$3.8m with larger shipping deliveries in the second quarter.

Net Assets

- WA Government debt milestones remain on target for full repayment by December 2024. Currently holding \$1.6m in credits against future repayment milestones.

-ENDS-

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About Orbital UAV

Orbital UAV provides integrated propulsion systems and flight critical components for tactical uncrewed aerial vehicles (UAVs). Our design thinking and patented technology enable us to meet the long endurance and high reliability requirements of the UAV market. We have offices in Australia and the United States to serve our prestigious client base.

Forward-looking statements

This release includes forward-looking statements that involve risks and uncertainties. These forward-looking statements are based upon management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company that could cause actual results to differ materially from such statements. Actual results and events may differ significantly from those projected in the forward-looking statements as a result of a number of factors including, but not limited to, those detailed from time to time in the Company's Annual Reports. The Company makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity
ORBITAL CORPORATION LIMITED

ABN	Quarter ended ("current quarter")
32 009 344 058	December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities	2,860	6,447
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(105)	(459)
(b) product manufacturing and operating costs	(568)	(1,271)
(c) advertising and marketing	(56)	(170)
(d) leased assets		
(e) staff costs	(2,136)	(4,368)
(f) administration and corporate costs	(948)	(1,810)
1.3 Dividends received (see note 3)		
1.4 Interest received	8	10
1.5 Interest and other costs of finance paid	(7)	(14)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<i>Cost recharge</i>	12	115
1.9 Net cash from / (used in) operating activities	(941)	(1,520)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	0	(17)
(d) investments		
(e) intellectual property	(83)	(113)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(83)	(130)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,000	4,000
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(35)	(228)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
(a) <i>principal elements of lease payments</i>	(255)	(691)
(b) <i>principal elements of sublease payments</i>	155	336
3.10 Net cash from / (used in) financing activities	865	3,417

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,293	2,292
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(941)	(1,520)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(83)	(130)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	865	3,417
4.5	Effect of movement in exchange rates on cash held	(8)	66
4.6	Cash and cash equivalents at end of period	4,126	4,126

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,050	4,196
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details) <i>Security deposits</i>	76	98
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,126	4,293

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)	(3,371)	(3,371)
7.4 Total financing facilities	(3,371)	(3,371)
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
7.3 WA government legacy loan, fully secured and interest-free		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(941)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,126
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	4,126
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.39
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2024

Authorised by: AUDIT & RISK COMMITTEE.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.