



ORBITAL CORPORATION LIMITED APPENDIX 4D

Company Details

Name of Entity:	Orbital Corporation Limited
ABN:	32 009 344 058
Reporting period:	Half Year ended 31 December 2020
Previous corresponding period:	Half Year ended 31 December 2019

Results for announcement to the market

					A\$'000
Total revenue from continuing operations	Up	67%	to		19,046
Net loss from continuing operations after tax	Up	54%	to		(3,888)
Net loss for the period attributable to members	Up	54%	to		(3,888)

Net tangible assets per share

	31 Dec 2020	30 June 2020
Net tangible assets per share (cents)	10.44	12.53

Dividends

There is no proposal to pay dividends for the half year ended 31 December 2020

CORPORATE INFORMATION

ABN 32 009 344 058

REGISTERED AND PRINCIPAL OFFICE

4 Whipple Street
Balcatta, Western Australia 6021
Australia



| @OrbitalCorpASX



| OrbitalUAV

CONTACT DETAILS

Australia

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Telephone: +1 541.716.5930

INTERNET ADDRESS

<http://www.orbitaluav.com>

Email: 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

D. Bonomini

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

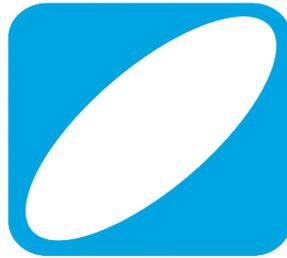
Australian Stock Exchange Limited (Code "OEC")

AUDITORS

PricewaterhouseCoopers

125 St Georges Terrace

Perth, Western Australia 6000



ORBITAL[®]
UAV

31 December 2020
Half-Year Financial Report

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Your Directors submit their report for the half-year ended 31 December 2020

DIRECTORS

The following persons were Directors of the Company during the half-year ended 31 December 2020 and up to the date of this report except where indicated.

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 \$19,046,000 (2019: \$11,405,000) with a loss before income tax from continuing operations of \$2,603,000 (2019: \$2,518,000). This includes an unrealised foreign exchange loss of \$2,366,000 (2019: unrealised foreign exchange loss of \$286,000). The loss excluding income tax and unrealised foreign exchange from continuing operations for the period was \$237,000 (2019: loss of \$2,232,000).

At 31 December 2020, cash, term deposits and receivables were \$12,036,000 (2019: \$13,556,000). Net cash used in operating activities during the period was \$4,988,000 (cash used in the prior period 2019: \$2,865,000).

Operational Review

During the half-year ended 31 December 2020, Orbital UAV has continued to focus on the deliverables set out within its Long Term Agreement ("LTA", "the Agreement") with key customer Insitu Inc., a wholly owned subsidiary of The Boeing Company.

In parallel, the Company progressed new engine development programs with Northrop Grumman Corporation and one of Singapore's largest defence companies.

Insitu Long Term Agreement

Orbital UAV began the 2021 financial year with two engine model production lines in operation under its LTA with Insitu.

Production of the first engine model is being conducted at Orbital UAV's headquarters in Balcatta, Western Australia. The second engine model is being manufactured at the Company's purpose-built production facility in Hood River, Oregon, USA.

The Agreement covers the manufacture of five different engine models, to be applied across Insitu's entire fleet of tactical UAVs.

Following the start of production of the second engine model in January 2020, development focus moved to the third of the five models. Development of the third engine model remains on track, with production due to commence in the second half of FY21.

New engine development programs

Orbital UAV was pleased to announce two new engine development programs in 2020.

The first – with one of Singapore's largest defence companies – is to develop, integrate and supply a first prototype multi-fuel engine for application in a domestic UAV program. Development of the prototype remains on track.

A second contract – with leading aerospace and defence technology company Northrop Grumman – is for the development of a hybrid propulsion system for a Vertical Take-Off and Landing ("VTOL") UAV.

Under the contract, Orbital UAV will develop, supply and support two initial hybrid propulsion systems for integration into Northrop Grumman's small UAV development platform. Delivery of the two prototype propulsion systems remains on track for 2021.

Both engine development programs are being conducted at the Company's Balcatta facility.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

COVID-19

As a defence industry supplier, Orbital UAV's business has been largely shielded from the significant economic downturn driven by the COVID-19 pandemic. The defence sector has remained resilient through the pandemic and demand for the Company's products remains positive.

Through proactive and ongoing risk mitigation, the Company has ensured its people remain safe and well during this period, and operations in Australia and the USA have continued with minimal disruption.

The Company has continued to deliver on its production commitments and has been focused on managing and supporting its global supply chain where necessary.

Distribution of our products continued through our established logistics providers.

Outlook

In February (see ASX announcement 1 February 2021), Orbital UAV revised production targets for the period January to June 2021 and adjusted full-year revenue guidance to a range of A\$30 million to A\$40 million. This followed the decision by primary customer Boeing-Insitu to reduce required volumes on one of the two engine models the Company currently has in production, due to prevailing market conditions.

The Company's LTA with Boeing-Insitu remains foundational to its near-term revenue generation, with two engine production lines in operation and the third scheduled to commence production in Q4 FY21.

Orbital UAV's additional engine development programs with Northrop Grumman and one of Singapore's largest defence companies remain on track, as planned.

The Company continues to deliver on the engine development and production targets within the Boeing-Insitu supply agreement and, together with the additional customer programs announced in 2020, continues to execute against its customer diversification and growth strategy.

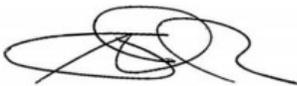
LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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 2020.

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, 25 February 2021



Auditor's Independence Declaration

As lead auditor for the review of Orbital Corporation Limited for the half-year ended 31 December 2020, 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; and
- (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 'Ben Gargett'.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
25 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$'000	2019 \$'000
Continuing operations			
Sale of goods		16,273	10,929
Engineering services income		2,692	349
Royalty and licence income		77	91
Interest revenue		4	36
Total revenue		19,046	11,405
Other income		501	1,067
Materials and consumables expenses		(9,721)	(6,015)
Employee benefits expenses		(5,819)	(4,902)
Depreciation expenses		(780)	(863)
Amortisation of intangibles	5	(165)	(127)
Engineering consumables and contractors expenses		(168)	(142)
Occupancy expenses		(466)	(224)
Travel and accommodation expenses		(179)	(285)
Communications and computing expenses		(511)	(486)
Insurance expenses		(737)	(504)
Audit, compliance and listing expenses		(348)	(191)
Finance costs		(365)	(420)
Warranty expenses		(227)	(254)
Other expenses		(298)	(291)
Unrealised foreign exchange loss		(2,366)	(286)
Loss before income tax from continuing operations		(2,603)	(2,518)
Income tax expense		(1,285)	-
Loss for the period from continuing operations		(3,888)	(2,518)
Discontinued operations			
Loss after tax for the year from discontinued operations		-	-
Loss for the year		(3,888)	(2,518)
Attributable to:			
Equity holders of the parent		(3,888)	(2,518)
Non-controlling interests		-	-
Loss for the period from continuing operations		(3,888)	(2,518)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		727	62
Total comprehensive loss for the period		(3,161)	(2,456)
Attributable to:			
Equity holders of the parent		(3,161)	(2,456)
Non-controlling interests		-	-
Total comprehensive loss for the period		(3,161)	(2,456)
Earnings per share			
Basic loss for the period attributable to ordinary equity holders of the parent (cents)		(5.01)	(3.25)
Earnings per share from continuing operations			
Basic loss for the period attributable to ordinary equity holders of the parent (cents)		(5.01)	(3.25)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ASSETS	Notes	31 Dec 2020	30 June 2020
		\$'000	\$'000
Current assets			
Cash and cash equivalents		1,533	8,749
Other financial assets		585	585
Trade and other receivables		9,918	5,347
Inventories	4	12,118	9,380
Prepayments		761	375
Finance lease receivable		349	332
Total current assets		25,264	24,768
Non-current assets			
Intangibles	5	1,250	898
Deferred taxation asset		4,070	5,423
Plant and equipment		3,811	4,150
Right-of-use asset		1,558	2,062
Finance lease receivable		350	542
Total non-current assets		11,039	13,075
Total assets		36,303	37,843
LIABILITIES			
Current liabilities			
Trade payables and other liabilities		5,848	4,482
Deferred revenue		1,611	1,321
Borrowings		3,756	3,756
Lease liabilities		1,066	1,131
Provisions		2,539	2,227
Total current liabilities		14,820	12,917
Non-current liabilities			
Lease liabilities		1,291	1,898
Borrowings		5,135	4,854
Provisions		72	72
Total non-current liabilities		6,498	6,824
Total liabilities		21,318	19,741
Net assets		14,985	18,102
Equity			
Share capital		31,220	31,220
Reserves		3,166	2,395
Accumulated losses		(19,401)	(15,513)
Total equity		14,985	18,102

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Share capital	(Accumulated losses)	Employee equity benefits reserve	Foreign currency translation reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2020	31,220	(15,513)	2,424	(29)	18,102
Loss for the period	-	(3,888)	-	-	(3,888)
Foreign currency translation	-	-	-	727	727
Total comprehensive income for the period	-	(3,888)	-	727	(3,161)
Share based payments	-	-	44	-	44
At 31 December 2020	31,220	(19,401)	2,468	698	14,985
At 1 July 2019	31,178	(17,370)	2,203	(32)	15,979
Loss for the period	-	(2,518)	-	-	(2,518)
Foreign currency translation	-	-	-	62	62
Total comprehensive income for the period	-	(2,518)	-	62	(2,456)
Share based payments	42	-	105	-	147
At 31 December 2019	31,220	(19,888)	2,308	30	13,670

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Cash receipts from customers		13,402	16,269
Cash paid to suppliers and employees		(18,362)	(19,133)
Interest received		4	36
Interest paid		(32)	(37)
Net cash (used in)/from operating activities		(4,988)	(2,865)
Cash flows from investing activities			
Payments for intangible asset		(516)	(221)
Purchase of plant and equipment		(440)	(93)
Net cash used in investing activities		(956)	(314)
Cash flows from financing activities			
Principal elements of lease payments		(673)	(499)
Proceeds from loan advances		-	2,185
Net cash from financing activities		(673)	1,686
Net decrease in cash and cash equivalents		(6,617)	(1,493)
Cash and cash equivalents at 1 July		8,749	7,487
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(599)	(286)
Cash and cash equivalents at 31 December		1,533	5,708

The accompanying notes form part of the financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1. REPORTING ENTITY

The consolidated financial statements for the half-year ended 31 December 2020 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 18 February 2021.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose consolidated financial report for the half-year ended 31 December 2020 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 2020 and considered together with any public announcements made by the Company during the half-year ended 31 December 2020 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.

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 for the 30 June 2022 financial year, and existing cash reserves held as at 31 December 2020.

The Group assessed how the current events and conditions impact its operations and while the long-term strategy of the Group remains unchanged, regular forecasting is performed on future expected cashflows. The Group has critically assessed cash flow forecasts for the 12 months from the date of this report based on expected sales and related costs.

Furthermore, the Group have also taken the following matters into consideration in forming the view that the Group is a going concern:

- The Group has cash and trade receivables of \$12.0 million as at 31 December 2020;
- The Group revised and issued a revenue guidance for FY21
- Forecast sales to customers based on purchase orders at agreed unit sale prices
- Operating costs aligned with the forecast and margins expected to be achieved in FY22

New Accounting Standards and Interpretations

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

3. 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 2020

	Australia		US		Consolidated	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Segment revenue	14,604	10,557	4,442	848	19,046	11,405
EBIT	(1,497)	570	(741)	(2,668)	(2,238)	(2,098)
Finance expenses	(339)	(385)	(26)	(35)	(365)	(420)
(Loss)/Profit before income tax	(1,836)	185	(767)	(2,703)	(2,603)	(2,518)

4. INVENTORIES

	31-Dec-20 \$'000	30-Jun-20 \$'000
Raw materials	10,618	7,965
Provision for obsolescence	(139)	(159)
Work in progress	1,640	1,574
Finished goods	-	-
	12,118	9,380

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.

5. INTANGIBLES

Consolidated	Model 2019 Development \$'000	Model 2021 Development \$'000	Total \$'000
31-Dec-20			
Cost	2,611	517	3,128
Accumulated amortisation and impairment	(457)	-	(457)
R&D tax offset recognised	(1,421)	-	(1,421)
Net carrying amount	733	517	1,250
Movement			
Net carrying amount at the beginning of the half-year	898	-	898
Additions	-	517	517
Amortisation for the year	(165)	-	(165)
Net carrying amount at the end of the half-year	733	517	1,250
30-Jun-20			
Cost	2,611	-	2,611
Accumulated amortisation and impairment	(292)	-	(292)
R&D tax offset recognised	(1,421)	-	(1,421)
Net carrying amount	898	-	898
Movement			
Net carrying amount at the beginning of the half-year	1,017	-	1,017
Additions	-	-	-
Amortisation for the year	(119)	-	(119)
Net carrying amount at the end of the half-year	898	-	898

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.

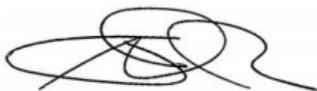
DIRECTORS' DECLARATION

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 2020 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: 25 February 2021



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 2020, 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 2020 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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility 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.

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Auditor's responsibility 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 2020 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 handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Ben Gargett'.

Ben Gargett
Partner

Perth
25 February 2021