



ASX ANNOUNCEMENT

19 October 2021

ORBITAL UAV LAUNCHES RENOUNCEABLE ENTITLEMENT ISSUE TO RAISE UP TO A\$6.5M

Funding to support new engine development programs,
enhance the Company's Australian production facility
capabilities and drive product research and development

Not for release to US wire service or distribution in the United States

KEY HIGHLIGHTS

- Renounceable Entitlement Offer of one new share for every six shares held at an issue price of A\$0.50 per new share to raise up to ~A\$6.5M.
- Major shareholders, UIL Limited, First Sentier Investors, and the Directors of Orbital UAV have provided commitments to take up their Entitlements in full for a combined amount of approximately A\$2.8M.
- Funds are proposed to be directed towards new and existing contracted engine development programs, enhancing facility production capabilities, driving new product development and working capital.

PERTH, AUSTRALIA: Orbital Corporation Ltd ('Orbital UAV', 'the Company' or 'OEC') is pleased to announce a one for six renounceable pro rata entitlement offer of new fully paid ordinary shares in the Company ('New Shares') at an issue price of A\$0.50 per New Share ('Offer Price') to raise gross proceeds of up to approximately A\$6.5 million before costs ('Entitlement Offer').

Under the Entitlement Offer, eligible shareholders (as detailed in the Entitlement Offer Booklet to be dispatched by OEC) are entitled to acquire one New Share for every six existing fully paid ordinary shares in the Company ('Shares') held on the record date, being 4:00pm (Perth time) on 22 October 2021.

Major shareholders, UIL Limited and First Sentier Investors, and the Directors of Orbital UAV, have committed to take up their entitlements under the Entitlement Offer.

The Entitlement Offer is not underwritten and the Company may place any shortfall at the discretion of the OEC Directors, including with the assistance of PAC Partners Securities Pty Limited.

Use of proceeds from the Entitlement Offer

Orbital UAV supplies unmanned aerial vehicle ('UAV') propulsion systems and flight critical components to world leading tactical UAV suppliers. The Company has continued to invest in a customer diversification strategy resulting in a customer portfolio of Tier 1 Defence prime contractors, including:

- Insitu Inc., a wholly owned subsidiary of The Boeing Company;
- Textron Systems, a wholly owned subsidiary of Textron Inc.;
- one of Singapore's largest defence companies; and
- Northrop Grumman.

Orbital UAV's customer and product diversification strategy continues in 2021 with an additional engine development program contract with Textron Systems Corporation, as OEC announced on 18 October 2021. Textron Systems is a subsidiary of Textron Inc. and one of the world's largest suppliers of tactical UAVs.

That contract represents an additional engine development program with Textron Systems. The new program adds to the Company's existing engine development programs, expanding the Company's production profile opportunity from two to six engine production lines over the next 24 months.



Funds raised from the Entitlement Offer are proposed to be directed towards:

- contracted engine development programs;
- enhancing the Company's Australian production facility capabilities;
- driving product research and development; and
- general working capital.

The Orbital UAV directors reserve the right to reallocate funds for different purposes, as they consider prudent or as required.

Boeing-Insitu engine demand

Orbital UAV is the primary engine supplier to, and has a Long Term Supplier Agreement ('LTA') with, cornerstone customer Insitu Inc., a wholly owned subsidiary of The Boeing Company ('Boeing-Insitu'). Under the LTA, minimum order quantities exist for Orbital UAV-designed engines. Following the production downgrade (ASX announcement 1 February 2021), a conservative volume outlook remains for Boeing-Insitu engines over the financial year ending 30 June 2022 ('FY22'). This is due to increasing competition within the tactical UAV market and a reduction in Intelligence, Surveillance and Reconnaissance ('ISR') missions following the U.S. military withdrawal from Afghanistan.

Under these market conditions Boeing-Insitu has requested a review of the minimum order quantity terms contained within the LTA and the Company is in ongoing discussions with Boeing-Insitu in relation to potential amendments to the LTA. The review and negotiations are not expected to impact on FY22 revenue. Beyond FY22, the minimum engine order quantities may be adjusted or removed. OEC will keep the market informed of any material outcomes.

Other development programs & outlook

Orbital UAV is progressing its engine development programs with its major Singapore customer and Northrop Grumman. The Company has supplied two engine systems to its Singapore customer for evaluation, with a third engine currently scheduled for delivery later this year.

The Company's research and development engine program with Northrop Grumman continues as planned.

Orbital UAV continues to target revenue in FY22 in line with the financial year ended 30 June 2021. The Company remains on track to return to profitability for the full year ending 30 June 2022.

Key Terms of the Entitlement Offer

Key terms of the Entitlement Offer are set out in the following table.

Nature of Entitlement Offer	Renounceable pro rata entitlement offer of New Shares
New Share issue price	A\$0.50
Offer ratio	1 New Share for every 6 Shares
Estimated maximum number of New Shares to be issued (subject to rounding)	Approximately 12,983,172 New Shares
Estimated maximum amount to be raised under the Entitlement Offer (subject to rounding)	Approximately A\$6.5 million

The Entitlement Offer will be made to persons registered as shareholders of Orbital UAV at 4:00pm (Perth time) on the record date who have a registered address in Australia, Bermuda, Hong Kong, Japan, Malaysia, New Zealand, Singapore or the United Kingdom and are determined to be eligible in accordance with the Offer Booklet for the Entitlement Offer (which is being announced to the ASX with this announcement).

Under the Entitlement Offer, Orbital UAV will issue a maximum of up to approximately 12,983,172 New Shares (subject to rounding of entitlements), resulting in the total share capital of Orbital UAV after the completion of the Entitlement Offer increasing to up to approximately 90,882,199 Shares. New Shares issued under the Entitlement Offer will rank equally with Shares already on issue.

Please refer to the Offer Booklet for the Entitlement Offer for further information.

Whilst the Entitlement Offer is not underwritten, Orbital UAV's cornerstone investor UIL Limited has confirmed that it intends to take up its full entitlement under the Entitlement Offer, but capped (if applicable)

at the limit by which its total voting power does not breach the Corporations Act. This means that the maximum voting power in the Company which UIL Limited may hold at the time of completion of the Entitlement Offer is 33.33%.

First Sentier has also confirmed it intends to take up its full entitlement under the Entitlement Offer.

Additionally, each of the Directors of the Company have indicated they will take up all their entitlements under the Entitlement Offer in full.

In aggregate, the commitments of the Directors of Orbital UAV and of the major shareholders above represent approximately 43.4% (or ~A\$2.8 million) of the maximum approximate Entitlement Offer raising of A\$6.5 million that is being sought under the Entitlement Offer.

Eligible shareholders who do not take up their entitlements will have their proportional interest in Orbital UAV diluted.

Further, eligible shareholders who take up all of their entitlements under the Entitlement Offer will also be afforded the opportunity to apply for New Shares in excess of their entitlement under a top up facility, for the Board of Orbital UAV to consider when allocating the shortfall of the Entitlement Offer (refer to the Offer Booklet for the terms and conditions of the top up facility). The allocation of the shortfall will be at the Board's discretion, and the Company may receive assistance from PAC Partners Securities Pty Limited in order to place shortfall shares. The Company has agreed to pay PAC Partners certain fees totalling 2.5% of the aggregated value of those shortfall shares.

Key Dates

Key dates for the Entitlement Offer are set out in the following table. The dates are indicative only and Orbital UAV reserves the right to vary them, subject to the Corporations Act and ASX Listing Rules.

Action	Date
Announcement of the Entitlement Offer	Tuesday, 19 October 2021
Shares quoted on an "ex" basis and entitlements trading starts on a deferred settlement basis	Thursday, 21 October 2021
Record Date to determine entitlements to participate in the Entitlement Offer	Friday, 22 October 2021 (4:00pm Perth time)
Offer Document and Entitlement and Acceptance Form dispatched	Wednesday, 27 October 2021
Entitlement Offer opens	Wednesday, 27 October 2021
Entitlements trading ends	Friday, 29 October 2021
Entitlement Offer closes	Friday, 5 November 2021 (2pm Perth time)
Announcement of outcome of the Entitlement Offer	Tuesday, 9 November 2021
Anticipated date for the issue of New Shares under the Entitlement Offer	Wednesday, 10 November 2021



Indicative capital structure on completion of the Entitlement Offer

The exact number of New Shares to be issued may vary and will be dependent on the level of acceptances under the Entitlement Offer, the rounding of entitlements and the degree to which the shortfall is taken up by existing or new investors.

If the Company completes the Entitlement Offer and issues the estimated maximum number of New Shares, the Company's capital structure will be as follows (subject to rounding and subject to no further issues having occurred, for example from the conversion of Performance Rights into Shares):

	Number of Shares (subject to rounding)	Number of Options	Number of Performance Rights
Balance as at the date of this announcement	77,899,027	-	1,990,170
Entitlement Offer	12,983,172	-	-
Total upon completion of the Entitlement Offer	90,882,199	-	1,990,170

Note: For the avoidance of doubt, the Company reserves the right to issue further securities from time to time.

Additional Information

Additional information regarding the Entitlement Offer is detailed in the Investor Presentation and Offer Booklet to be released to the ASX today. The Investor Presentation and Offer Booklet detail important information including key risks and Australian and foreign legal restrictions with respect to the Entitlement Offer.

-ENDS-

CONTACTS

Announcement authorised by:

Todd Alder

CEO & Managing Director

Tel: +61 8 9441 2311

Email: contact@orbitalcorp.com.au

For further information, contact:

Ian Donabie

Communications Manager

Tel: +61 8 9441 2165

Email: idonabie@orbitalcorp.com.au

About Orbital UAV

Orbital UAV provides integrated propulsion systems and flight critical components for tactical unmanned 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.

Future performance and forward looking statements

This announcement contains certain forward looking statements including but not limited to projections, estimates, guidance on future revenues, earnings, the outcome and effects of the Entitlement Offer and the use of proceeds and the future performance of Orbital UAV. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements include those containing words such as: "anticipate", "believe", "expect", "estimate", "should", "will", "plan", "could", "may" "intends", "guidance", "project", "forecast", "target", "likely", "continue",



"objectives" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the outcome and effects of the Entitlement Offer and the use of proceeds, certain plans, strategies and objectives of management and expected financial performance. Any forward looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of Orbital UAV and its officers, employees, agents, associates and advisers. This includes any statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Orbital believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Forward looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results may differ materially from those expressed or implied in such statements.

To the maximum extent permitted by law, Orbital UAV and its officers, employees, agents, associates and advisers do not make any representation or warranty, express or implied as to the currency, accuracy, reliability or completeness of such information, or likelihood of fulfilment of any forward looking statement, and disclaim all responsibility and liability for these forward looking statements (including, without limitation, liability for negligence). Refer to the "Key Risks" section of the Investor Presentation accompanying this announcement for a summary of certain risk factors that may affect Orbital UAV. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

The forward looking statements are based on information available to Orbital UAV as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), Orbital UAV undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Investment Risk

An investment in OEC is subject to known and unknown risks, some of which are beyond the control of OEC, including possible loss of principal invested. OEC does not guarantee any return on investment, any particular rate of return or the performance of OEC, nor does it guarantee any particular tax treatment. Investors should have regard (amongst other things) to the risk factors outlined in the "Key Risks" section of the Investor Presentation accompanying this announcement for certain risks relating to an investment in OEC.

Not an offer of securities

This announcement is not a prospectus, product disclosure document or other offering document under Australian law (and will not be lodged with ASIC) or any other law. This announcement is for information purposes only and should not be considered as an offer, solicitation, inducement recommendation or an invitation to acquire securities in OEC or any other financial products and neither this document nor any of its contents will form the basis of any contract or commitment. Offers of securities in OEC will only be made in places in which, or to persons to whom, it would be lawful to make such offers. This announcement must not be disclosed to any other person and does not carry any right of publication. This announcement does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this announcement may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted under "International Offer Restrictions" in Appendix B of the Investor Presentation accompanying this announcement. This announcement may not be released to U.S. wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration of the US Securities Act and applicable US state securities laws.

The release, publication or distribution of this announcement (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this announcement, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Not financial advice

This announcement is not financial product advice, investment advice, legal, tax or other advice or a recommendation to acquire, hold or sell OEC securities. This announcement has been prepared without taking into account the objectives, financial situation or needs of any particular recipient. Each recipient of this announcement should make its own enquiries and investigations regarding all information in this announcement including, but not limited to, the assumptions, uncertainties, risks and contingencies which may affect future operations of OEC and the impact that different future outcomes may have on OEC. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs, and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. OEC is not licensed to provide financial product advice in respect of its securities or any other financial products. Cooling off rights do not apply to the acquisition of OEC securities. Each investor must make its own independent assessment of OEC before acquiring any securities in the Company.



Past performance

Past performance information given in this announcement is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this announcement may be subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this announcement.

Follow us:

