ORBITAL® UAV

Investor Presentation

19 October 2021

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ORBITAL® UAV

World leader in the design and manufacture of integrated engine systems for military drones*

(* Tactical Unmanned Aerial Vehicles 'UAVs')

Textron Systems

Additional engine program awarded

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New contract announced on 18 October 2021[1] with Textron Systems, a subsidiary of Textron Inc. and one of the world's largest suppliers of tactical UAVs.

- Second engine program with Textron Systems
- Development of Orbital UAV upgrades to Textron Systems' current UAV engines
- Targeting increased take-off power and improved real-time engine health monitoring
- Subject to successful completion of the development program, upgraded engines available in calendar year 2022
- Upgraded engine order volumes dependent on customer demand at that time

[1]See ASX Announcement 18 October 2021 '*Additional engine program with Textron Systems*'

At a glance

ORBITAL UAV

FY21 revenue $31.2M

Additional contract with Textron Systems adds to existing engine development programs

Orbital UAV's production profile opportunity expands from two to six engine production lines over the next 24 months

Tracking UAV market opportunities both globally and domestically (e.g. FTUAS Program, Land129-3)

Primary engine supplier to Insitu Inc. (a Boeing Company)

Revenue in line with previous financial year and on track for year ending 30 June 2022 profitability

Tactical UAV market

Dominated by Defence prime contractors

ORBITAL UAV

Worldwide tactical UAV production 2020 – 2029[1]

US$15.7B

Worldwide tactical UAV production in 2020[1]

US$1.4B

Addressable Propulsion System Market estimated at ~15%

US$210M p.a.

Key market players

[1] Source: World Military UAV Profile & Forecast 2020-21, Teal Group Corporation

What is a tactical UAV?

Intelligence, Surveillance, Reconnaissance

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Tactical UAVs are used by global defence forces for intelligence, surveillance and reconnaissance (ISR) missions and have increasing strategic and commercial significance

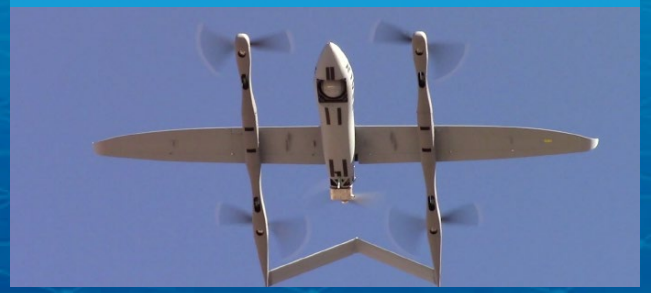
- Field operated by military units
- US$1.5 - US$4 million per system[1]
- State-of-the-art electronic payloads (e.g. day/night cameras)
- Wingspan up to 5 m
- Flies at up to 20,000 ft
- Endurance up to 24 hours

Naval vessel-based

Launch & capture

Runway dependent

Vertical take-off & landing



[1]World Military UAV Profile & Forecast 2020-21, Teal Group Corporation: Represents cost of the aircraft plus a portion of the system cost, e.g. ground control station, remote video terminal, launch system and recovery system.

Our unique product offering

Industry leading performance

ORBITAL® UAV

Orbital UAV's heavy fuel propulsion systems have the world's best performance and meet the U.S. Dept. of Defense's 'one fuel' policy

	Orbital UAV	Others
Time between overhaul	500 hrs	~50 hrs
Cold start to launch	2 min	>20 min
x3 U.S. FAR33.49 endurance test	Yes	No

Image: ScanEagle3, courtesy Insitu Inc.

Increasing customer diversification

New contracts and customers

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Tier 1 Defence Prime Contractors

INSITU A Boeing Company

Primary engine supplier to power Insitu's entire fleet of tactical UAVs

TEXTRON Systems

Engine development program and supply agreement for up to 10 years

+

New engine upgrade program

SINGAPORE DEFENCE COMPANY

Engine design and development contract with one of Singapore's largest defence companies

NORTHROP GRUMMAN

R&D contract to design and develop a hybrid propulsion system for VTOL application

Continued investment in customer diversification strategy aims to reduce one customer risk

Boeing-Insitu

Outlook for Boeing-Insitu's engine demand

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Market

1. Increasing competition within tactical UAV market

MARTINUAV AeroVironment™ L3HARRIS™

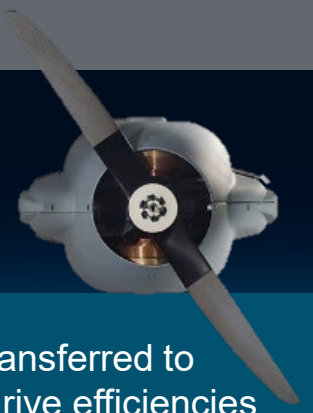
2. U.S. military withdrawal from Afghanistan impacting near-term Intelligence, Surveillance & Reconnaissance missions

Status of Boeing-Insitu LTA

1.

Production volumes downgraded in February 2021

2.



Production transferred to Australia to drive efficiencies

3.

Start of production delayed due to customer design changes

Development timeframes of engines 4 & 5 identified within the LTA remain TBD

A conservative volume outlook remains for engines 1, 2 & 3 over financial year ending 30 June 2022

Textron Systems

Two engine programs awarded

ORBITAL® UAV

1. Engine development program & supply agreement[1]

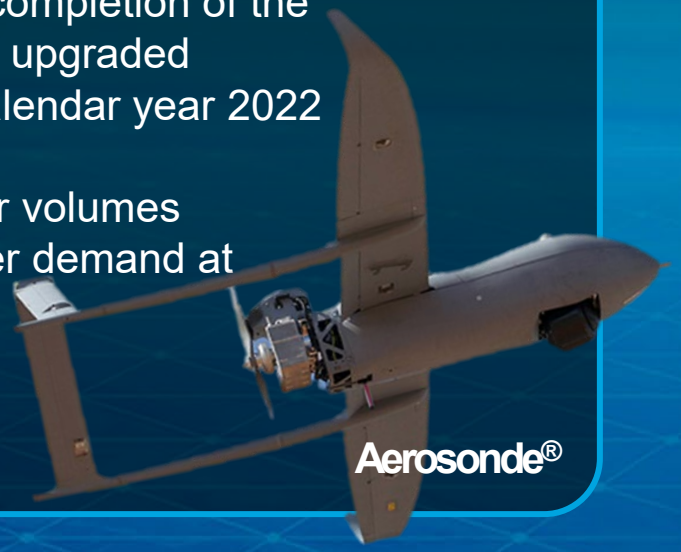
- Integration of the Orbital UAV 150cc engine and engine control system into Textron Systems' Aerosonde program
- First engine prototype delivered for flight testing in May 2021
- Subject to satisfactory completion of the engine development program, the Agreement transitions to an engine supply contract for a minimum of five years

Aerosonde HQ®

2. Program to develop upgrades for existing fleet of UAV engines

- Upgraded engines are targeting increased take-off power and improved real-time engine health monitoring and diagnostics capability
- Subject to successful completion of the development program, upgraded engines available in calendar year 2022
- Upgraded engine order volumes dependent on customer demand at that time

TEXTRON Systems



Aerosonde®

[1] See ASX announcement 29 March 2021 *'New engine development & supply agreement signed with Textron subsidiary Lycoming Engines'*

Singapore & Northrop Grumman

Progressing additional development programs

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SINGAPORE DEFENCE COMPANY

Design, development & initial low rate production of multi-fuel engine[1]

- Multi-phase program with large Singapore Defence company
- Integration and customization of Orbital UAV engine
- Two engine systems supplied to customer for evaluation requirements

*

[1]See ASX announcement 19 March 2020 *'Orbital UAV to work with one of Singapore's largest defence companies'*

NORTHROP GRUMMAN

R&D contract to design and develop a hybrid propulsion system for vertical take-off & landing application[2]

Hybrid solution includes:

- Combined thrust power of electric motor and heavy fuel engine
- Remote starting / re-starting engine
- Electric power generation during flight

[2]See ASX announcement 23 April 2020 *'Orbital UAV to work with Northrop Grumman to develop new hybrid UAV propulsion system'*

* For illustrative purposes only

Production line investment

Contracted development programs

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INSITU
A Boeing Company

TEXTRON Systems

SINGAPORE DEFENCE COMPANY

FY21	FY22	FY23

New Textron Systems contract adds to existing engine development programs, expanding the Company's production profile opportunity from two to six engine production lines over the next 24 months

* For illustrative purposes only

Future market opportunities

Major tactical UAV programs

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United States Army
Future Tactical UAS Program[1]

TEXTRON Systems

AeroVironment

MARTINUAV

NORTHROP GRUMMAN

L3HARRIS

- FTUAS requirements approved by Army Oversight Council in August 2021
- Increment 1 white papers submitted in September 2021
- Industry product pitches due by September 2022
- Initial fielding expected in the 2023 fiscal year

US Navy
Mi2 Technology Demonstration[2]

MARTINUAV

Australian Army
LAND129 Phase 3

INSITU PACIFIC A Boeing Company

TEXTRON Systems AUSTRALIA

Royal Australian Navy
SEA129 Phase 5

INSITU PACIFIC A Boeing Company

TEXTRON Systems AUSTRALIA

NORTHROP GRUMMAN

Raytheon Australia

BAE SYSTEMS

Continuing to build relationships and target opportunities with existing and emerging parties at the forefront of global tactical UAV opportunities.

[1] Source https://www.upi.com/Defense-News/2021/09/09/army-proposals-tactical-drone-replace-RQ-7B-Shadow/9411631211087/
[2] Source https://martinuav.com/martin-uav-selected-to-prototype-navy-uas/

Defence & UAV market

Rising budgets

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Rising global Defence budgets

- Global defence spending reached US$1.83 trillion in 2020 – a 3.9% annual uplift in real terms[1]
- North America is the largest contributor, accounting for ~41% of the total spend and growing by 6.3% in 2020 real terms[1]

Increased UAV adoption

- Worldwide UAV production forecast at US$95.5 billion 2020 – 2029[2]
- UAVs becoming an increasingly strategic component within global defence forces Technological advancements has led to increased deployment in the field

Australian sovereign industrial capability

- Defence Budget will grow over the current decade to A$73.7 billion in 2029-30[3]
- ~A$270 billion of investment in Defence capability over the next decade[3]
- Commitment to a strong, sustainable and secure defence industry supporting leading edge innovation

Strong Defence spending globally and domestically presents longer term growth opportunities

[1] Source: The Military Balance, International Institute for Strategic Studies: [2] Source: World Military UAV Profile & Forecast 2020-21, Teal Group Corporation
[3] Source: 2020 Defence Strategic Update

Corporate overview

ORBITAL UAV

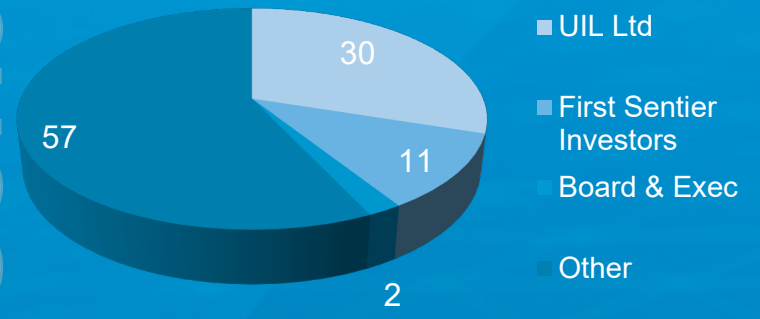
Share Capital *As at 14 October 2021 (Trading Halt Announced)*

Fully Paid Ordinary Shares	77.9M
Closing share price	$0.65
Market Capitalisation	$50.6

Our FY22 Objectives

- Return to profitability
- Investment in new production lines
- Generating positive operational cash flows
- Deliver shareholder value

Top Shareholders



John Welborn
Chairman
Non-Executive Director

- Appointed Chairman March 2015
- MD & CEO of Equatorial Resources Ltd

Todd Alder
Managing Director & CEO

- Appointed CEO & MD in 2017
- Focusing on: financial discipline; strategy alignment; and operational efficiency

Steve Gallagher
Non-Executive Director

- Board member since 2017
- 30 years experience as a CEO and director of global businesses

Kyle Abbott
Non-Executive Director

- Experienced aerospace and defence industry executive
- MD of WA Specialty Alloys 1996-2015

Entitlement Offer Details

Entitlement Offer Structure	A one for six renounceable pro rata entitlement offer of New Shares at an issue price of A$0.50 per New Share to raise gross proceeds of up to approximately A$6.5 million (before costs). The Entitlement Offer is not underwritten and is available to eligible shareholders as detailed in, and subject to the terms and conditions of, the Entitlement Offer Booklet.
Offer Price	All Shares under the Entitlement Offer will be issued at $0.50, representing a ~23% discount to the Company's closing price of shares on 14 October 2021 of $0.65, prior to the Company entering into a trading halt on that day.
Ranking	New Shares issued under the Entitlement Offer will rank pari passu with existing Shares
Major shareholder participation	UIL First Sentier
Director Participation	All Directors taking up their full entitlements
Record Date	22 October 2021
Indicative use of Proceeds[1]	• Contracted engine development programs; • Enhancing the Company's Australian production facility capabilities; • Driving product research and development; and • General working capital.
Further information	Refer to the Entitlement Offer Booklet and Orbital's other ASX announcements.

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

Appendices

(* Tactical Unmanned Aerial Vehicles 'UAVs')

Appendix A: Key Risks (1 of 7)

INTRODUCTION

This section discusses some of the risks associated with an investment in Orbital. Orbital's business is subject to a number of risk factors both specific to its business and of a general nature which may impact on its future performance. Before subscribing for New Shares, prospective investors should carefully consider and evaluate Orbital and its business and whether the New Shares are suitable to acquire having regard to their investment objectives and financial circumstances and taking into consideration material risk factors. The below list of risk factors ought not to be taken as exhaustive of the risks faced by Orbital or by investors in Orbital. The below factors, and others not specifically referred to below, may in the future materially affect the financial performance of Orbital and the value of Shares. Please refer also to Orbital's previous ASX announcements.

Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares (including the New Shares). Potential investors should consider the investment carefully and should consult their professional advisers before deciding whether to apply for New Shares, or to otherwise trade in Shares.

RISKS SPECIFIC TO THE COMPANY:

Reliance on key contracts and relationships: The Company's business relies on business relationships, including its relationships with its suppliers and key customer, Insitu. For the Company's financial year ended 30 June 2021, the Company's long term agreement (**LTA**) with Insitu accounted for approximately 90% of the Company's revenue. Insitu may terminate the LTA for convenience, default or force majeure. If any key contract is terminated, varied or not renewed, this may have a material adverse effect on the financial performance, financial position and/or reputation of the Company.

Under the LTA, minimum order quantities exist for Orbital UAV-designed engines. A conservative volume outlook remains for Boeing-Insitu engines over the financial year ending 30 June 2022 (**FY22**) 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 which could result in heightened engine production volatility.

Given the LTA has accounted for a significant proportion of the Company's revenue, the Company is exposed to any interruption to, or reduction in, Insitu's demand for engine orders. This lack of customer diversity is a key risk for the Company.

As at the date of this Presentation, other than as detailed in this document and in Orbital's other ASX announcements, Orbital is currently unaware of any reason for Insitu terminating the LTA. The LTA expires and will terminate on 30 September 2023 and there is a risk that it may not be renewed or replaced.

Reliance on key suppliers: The Company depends on key suppliers for the supply of critical and unique components for use in engines and engine management systems sold by the Company to its customers. There are also certain components for which Orbital has a single or limited source of supply. Accordingly, there is a risk that, if any of the Company's key suppliers cease or reduce supply (or if a supplier fails to meet commercial and operational requirements), this could cause a disruption to the Company's ability to deliver its products and consequently cause the Company to default on scheduled timing and obligations to provide engines and engine management systems. Key suppliers may become insolvent or cease operating for various other reasons. Supply chain interruptions have the capacity to adversely impact upon production forecasts and shipments and the Company's financial performance.

Moreover, the Company may have difficulty in sourcing alternative suppliers for certain components which are only available from a single source. The Company has undertaken supply chain initiatives to seek to de-risk supply interruptions. However, supply chain interruptions remain a risk item for the Company.

Appendix A: Key Risks (2 of 7)

Further to this, there is a risk that, if any of the Company's key suppliers increase prices, this could cause a disruption to the Company's ability to deliver its products or adversely impact on the Company's financial results. For example, a key risk to the Company is the ability to maintain the budgeted gross margin on the N20C production as some key suppliers have increased prices with further increases possible. The Company is seeking to manage this risk through:

- continuous cost control;
- alternative part sourcing where possible;
- price locks in critical supplier agreements;
- inventory (stock on hand); and
- annual sale price negotiation with Insitu.

Manufacturing facilities: The Company operates from aerospace manufacturing facilities. The Company is reliant on third parties in relation to the supply of parts and the ongoing maintenance, repair and calibration of such facilities or their replacement in case of catastrophic failure. If the Company is unable to source suitable equipment and parts, or is unable to procure parts and services within the required lead times, its ability to perform existing contracts or commence new contracts may be adversely affected. The performance of contractual obligations is dependent on the continued availability of facilities in working order with sufficient capacity to meet demand and design specifications.

Industry cycle: The Company currently operates predominantly in the aerospace sector. The level of activity in this sector will be influenced by external factors including supply and demand, exchange rates, competitiveness of manufacturing operations and technology and availability and cost of key resources including people, equipment and critical consumables (among other things). Variations in such factors, which are beyond the control of the Company, may have an adverse effect on future operating results of the Company.

Future Performance: There is no guarantee that the Company will receive future revenues in line with its forecasts. Further, the Company gives no guarantee of whether it will become profitable, including following the Entitlement Offer.

Occupational Health and Safety Risks: Manufacturing activities may expose the Company's staff to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of the Company's employees suffers injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a licence or permit required to carry on the business. Such an incident may also have an adverse effect on the Company's business and reputation

Organisational Capability Risks: The Company must effectively manage the Company's skills, knowledge and resources to provide quality products to its customers. The Company has taken measures to address these threats to seek to mitigate risks to organisational capability, such as a focus on technological innovation, in house and external training, succession planning and employee incentive plans for the grant of performance rights, options and/or Shares to eligible employees that meet pre-determined benchmarks.

Uncertainty of market acceptance: The Company develops technology for use by customers in the aerospace and defence sectors. It is not yet known whether the Company's technology and products (including engines, and engine management systems, for tactical UAVs) will be widely accepted in the market or the rate of any market acceptance. The degree of market acceptance will depend on a number of factors, including the establishment and demonstration of the need, safety, efficacy and cost-effectiveness of the Company's technology and products, and the technology's advantages over existing technologies. The Company cannot be certain that current levels of spending by its key customer will be maintained, that its existing customer contract will be renewed or that the Company will win contracts from other customers. For example, Orbital cannot confirm whether it will ultimately receive contracts for the sale of its products to Textron-Lycoming, to Northrop Grumman or to the Singapore defence customer mentioned in Orbital's ASX announcements.

Appendix A: Key Risks (3 of 7)

Product faults and research and development: There is a risk of the engines and engine management systems sold by the Company being faulty or otherwise breaching product specification requirements and contractual obligations. These matters could adversely affect the Company's financial performance, financial position and reputation. Orbital's business activities and operations involve research and development, which has inherent risk, such as infringing third party intellectual property, non-compliance with laws and potentially wasted resources.

Insurance: The Company has taken out insurance to seek to cover its current business operations. However, the Company's insurance policies, in some circumstances may not provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Disputes: The activities of the Company may result in disputes with third parties, including, without limitation, the Company's investors, competitors, regulators, partners, distributors, customers, suppliers, directors, officers and employees, and service providers. The Company may incur substantial costs in connection with such disputes.

Reliance on key personnel: The Company's success depends to a significant extent upon key management personnel, as well as other management and technical personnel, including those employed on a contractual basis. The loss of the services of certain personnel could materially adversely affect the Company and its activities.

Intellectual property protection: The Company principally relies upon patents, trade secrets, copyright and contract law to protect its intellectual property in its proprietary technology. The protective measures taken by the Company may not be adequate to protect its intellectual property in its proprietary technology. Many of the laws of foreign countries treat the protection of proprietary rights differently from, and may not protect proprietary rights to the same extent as do, laws in Australia. In addition, the laws of many countries, including Australia, provide governments with the ability to control or restrict the export of defence-related technologies and products developed from such technologies. Patent matters involve complex legal and factual questions. Accordingly, the Company cannot predict the availability and breadth of claims sought in relation to patents applied for. Statutory differences in patentable subject matter between countries may limit the protection the Company can obtain for some of its inventions, or prevent it from obtaining patent protection, in some countries. Additionally, the enforceability of a patent is dependent on a number of factors, which may vary between jurisdictions. These factors may include the novelty of the invention, the requirement that the invention not be obvious, the utility of the invention, the extent to which the patent clearly describes the best method of working the invention, and whether the patent's claims are fairly based on its specification.

The Company has obtained and continues to seek patent protection for its technology. Furthermore, the Company cannot be certain that patents held by third parties will not prevent the commercialisation of products incorporating its technology or that third parties will not challenge or seek to narrow, invalidate or circumvent any of its issued, pending, or future patents. The Company may need to litigate to enforce patents, or to determine the scope and validity of third party proprietary rights. It is possible that the Company could incur substantial costs and be diverted from its efforts to commercialise products. The Company relies on unpatented trade secrets, know-how and proprietary technological innovation and expertise, which are protected, in part, by confidentiality. There is a risk of the loss of that confidentiality or of other events occurring which may compromise the Company's competitive position.

Development timeline: In specialised fields such as engine development, unanticipated issues may arise for which it is not possible to expediently solve the issue or obtain the appropriate expertise. Design and construction of the Company's engine models may be slower than expected, due to the novelty of the design, lack of experience in its construction, or other factors. However, the Company has established processes for the control and traceability of all products and consumables to mitigate this risk.

Competing technologies: The aerospace industry market is highly competitive and can be subject to significant technological change. Large, well-established aerospace companies are engaged in research and development and have considerably greater resources than the Company to develop applications for aerial surveillance technology. The aerospace industry market is characterised by changing technology, evolving industry standards, introductions and enhancements and changing customer demands. Normal business risks associated with the current state of market conditions for the aerospace industry and possible change in customer requirements which cannot reasonably be foreseen are a significant risk for the Company. Accordingly, the Company's success may depend on its ability to adapt to change.

The Company's commercial success depends in part upon whether its products can compete successfully against both existing and new engine technologies, including new technologies that are similar to the Company's technologies. The Company's products may not be able to compete in the market and they may become obsolete.

Adverse events involving facilities, technology or products: Any technology that involves tactical UAVs presents a risk of catastrophic failure and other adverse events occurring. Any accident or failure involving the Company's technology, products or facilities, whether during manufacture or in use by the Company or its customers, and whether being used in the correct manner or not, could damage the Company's reputation and marketing ability and expose the Company to the risk of litigation, legal penalties and other adverse impacts, such as in relation to loss of life, property damage, spillage of toxic substances and other environmental pollution.

Appendix A: Key Risks (4 of 7)

Government regulation: The Company develops products for use in the aerospace and defence sectors, which are subject to extensive regulation. Products manufactured using the Company's technology may also be subject to government regulation, including regulations governing use, specification, manufacture, handling, disposal, packaging, labelling, transport and import/export in Australia and in each of the countries into which such products are exported. Failure to comply with government regulations could result in the Company being unable to sell its products in those jurisdictions. Further, the withdrawal of any regulatory permits or exemptions currently enjoyed by the Company could have a material adverse effect on the Company and its activities.

Contract negotiation: The Company depends on contracts and memoranda of understanding (MOU) to grow its business. A failure to negotiate contracts and MOUs effectively could threaten the Company's success. Poor negotiations by the Company may mean that contractual obligations are not achieved due to onerous terms and conditions imposed by customers and contractual obligations not being adequately controlled with suppliers. To mitigate this risk, all significant contracts and agreements are reviewed and approved by multiple senior executives of the Company. Additionally, executives are empowered to engage external legal counsel to assist in the review and negotiation of complex / high-value agreements.

Obtaining sufficient funding: The Company requires significant capital amounts to conduct its business. In the past, these costs have been paid with a combination of operating revenues, equity injections, debt and other financing. However, there can be no assurance that the Company will have sufficient operating revenues to fund future costs or that outside financing will be available at affordable prices, or at all. A failure to obtain sufficient financing for ongoing costs could prevent the Company from carrying out business plans on time and give an advantage to competitors with greater financial resources. A shortage of financing may cause long delays in, or prevent, the further development and commercialisation of the Company's technology, and customers could choose to use competing technologies. This could have a material adverse effect on the Company's business, results of operations and financial position.

COVID-19 pandemic risk: Like many businesses in Australia, the USA and around the world, the Company has closely monitored – and continues to monitor – the business risks presented by the Coronavirus (COVID-19) pandemic. The physical wellbeing and mental health of all our people is a priority and the Company implemented a COVID-19 Response Plan to seek to minimise the risk of contracting or spreading the virus. Throughout the pandemic our sites in Australian and the USA have remained fully operational and continue to manufacture as normal. In the USA, the Company operates within the Defense Industrial Base and is therefore considered part of the Critical Infrastructure Sector as defined by the US Department of Homeland Security. As an advanced aerospace manufacturer supplying global defence prime contractors, our product demand remained unaffected by the COVID-19 outbreak. The Company continued to deliver on our production commitments and strengthened our global supply chain where necessary. Delivery of our products continued through our established logistics providers, and contingency plans were put in place should existing channels of delivery be impacted. Notwithstanding the above, there is a risk that the COVID-19 pandemic, and any future pandemics or other natural disasters, may adversely affect the Company's financial position and financial performance. The Company will continue to support the public health effort to minimise the spread of COVID-19.

Foreign currency: Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate as a result of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates to the Company's operating activities, in which sales and purchases are denominated in foreign currencies. Orbital is specifically exposed to currency risk on financial assets and liabilities held in the United States of America. Orbital's expenditure obligations in America are primarily in the United States Dollar and as a result Orbital is exposed to fluctuations between the United States Dollar and the Australian dollar. Orbital is also exposed to foreign exchange risk arising from the translation of its operations in the United States. The Company manages its exposure to foreign currency risk by regularly monitoring and performing sensitivity analysis on the Company's financial position and performance as a result of movements in foreign exchange rates. The Company holds bank accounts in foreign denominated currencies which are converted to Australian dollars through rate orders for targeted exchange rates. The Company has foreign currency hedging facilities available as part of its bank facilities. Currently the Company does not directly hedge against its foreign currency exchange risk to a material extent. There is a risk that the Company's financial performance and financial position may be adversely impacted by fluctuations in currency exchange rates.

Orbital is also exposed to variability in foreign exchange rates due to the material value of sales revenue invoicing being denominated in USD, whilst the Australian operating entity represents a material cost base denominated in AUD with obligations such as payroll, inventory purchases and operating overheads. The operating risk is a loss in AUD due to exchange rate fluctuations (USD:AUD), with an adverse impact on cash flow.

Appendix A: Key Risks (5 of 7)

Liquidity risk management: Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay financial liabilities as and when they fall due. The liquidity position of the Company is managed to seek to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost effective manner. The Company's liquidity position is managed by the Board of Directors who regularly review cash flow forecasts prepared by management, which includes the Company's short and long-term obligations, cash position and forecast liability position to maintain appropriate liquidity levels. A reduction in the Company's working capital threatens the Company's ability to manufacture and develop its products and its financial position. The Company aims to address this risk through optimised supplier delivery and payments, effective inventory management, seeking to ensuring customer receipts are returned on time and oversight of the effect of delays in project deliverables (although there are no guarantees such efforts will succeed).

Interest rate risk management: Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in the market interest rates. The Company's exposure to market interest rates relates primarily to the Company's cash and term deposits with financial institutions. The primary goal of the Company is to maximise returns on surplus cash, using deposits with maturities of 90 days or less. Management continually monitors the returns on funds invested.

Credit risk management: Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating and investing activities, including trade receivables and short-term deposits with financial institutions. The significant concentration of credit risk within the Company relates to receivable balances from the Company's major customer, Insitu.

It is Company policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

Key individual customer receivable balances are monitored on an ongoing basis. The significant concentrations of credit risk within the Company relate to receivable balances from the Company's major customer and cash held with investment grade financial institutions. The investment of surplus cash in short-term deposits is only invested with a major financial institution to minimise the risk of default of counterparties.

Capital risk management: When managing capital, management's objective is to ensure the entity continues as a going concern. In order to maintain or adjust the Company's capital structure from time to time, the Company may issue new shares (in addition to the Entitlement Offer) or other securities or borrow funds.

Product liability exposure: There is no assurance that unforeseen adverse events or manufacturing defects will not arise in the Company's products. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of regulatory approval for the relevant products and/or monetary damages and other remedies being awarded against the Company. There is also a risk of the Company failing to deliver on customer contract technical requirements. In such events, the Company's liability may exceed the Company's insurance coverage, if any.

Cyber Security: The Company relies heavily on its information technology systems including its networks, equipment, hardware, software, telecommunications and other information technology, including in the engines and engine management systems sold by the Company, (collectively, (IT systems), and the IT systems of third-party service providers, to operate its business as a whole. The Company's operations depend on the timely maintenance, upgrade and replacement of its IT systems, as well as pre-emptive efforts to mitigate cybersecurity risks and other IT system disruptions. IT systems are subject to an increasing threat of continually evolving cybersecurity risks from sources including computer viruses, cyber-attacks, natural disasters, power loss, defects in design, security breaches and other manipulation or improper use of the Company's systems and networks, resulting in, among other things, unauthorized access, disruption, damage or failure of the Company's IT systems (collectively, IT Disruptions). Although to date the Company has not experienced any material data losses or financial impost relating to such IT disruptions, there can be no assurance that it will not incur such losses in the future. The occurrence of one or more IT Disruptions could have effects such as damage to the Company's products and equipment, manufacturing downtimes, operational delays, destruction or corruption of data, increases in capital and operating expenditures, loss of assets, expensive remediation efforts, distraction of management, damage to the Company's reputation or events of noncompliance which could lead to regulatory fines or penalties or ransom payments. Any of the foregoing could have a material adverse effect on the Company's results of operations and financial performance.

Appendix A: Key Risks (6 of 7)

Climate change risk: Climate change is a risk the Company has considered, particularly related to its operations in the aerospace industry. The emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation may adversely impact the Company and its business. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company and its operations will not be impacted by these occurrences. Climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industries in which the Company operates and materially adversely affect the value of Shares. Insurance cover availability against the risks of climate change is subject to the similar conditions and restraints noted above.

Control risks: UIL Limited and its associates (together the **UIL Parties**) currently hold voting power in approximately 30.33% of the Shares in the Company.

UIL Limited has agreed to subscribe for New Shares pursuant to the Entitlement Offer, but capped (if applicable) at the limit by which its total voting power in Orbital does not breach Chapter 6 of that Act. This means that the maximum voting power which the UIL Parties will hold in the Company upon completion of the Entitlement Offer could be up to 33.33%.

The potential consequences of the effect which the issue of New Shares pursuant to the Entitlement Offer may have on the control of the Company is that the UIL Parties may increase their abilities to influence the composition of the Company's board and the Company's management and strategic direction and to impact the outcome of resolutions of shareholders of the Company. The UIL Parties' interests may not align with those of all other OEC shareholders. The UIL Parties hold voting power in more than 25% of the Shares in the Company. This means that they have the ability to prevent a special resolution from being passed by the Company (such resolution requiring at least 75% of the votes cast by members entitled to vote on the resolution).

Additional requirements for capital: The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts proposed to be raised under the Entitlement Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

If Orbital is unable to successfully complete the Entitlement Offer, the Company may have to consider alternative funding options for the purpose of funding the Company's ongoing operations, which may or may not be available on acceptable terms or may result in dilution to OEC shareholders.

GENERAL RISKS:

Economic Risks and Market Conditions: Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of the Company's shares regardless of the Company's operating performance. Factors that may contribute to that general economic climate include, but are not limited to:

- the level of direct and indirect competition against the Company and demand for the Company's products;
- general economic conditions;
- uncertainty in the Australian, US (and global) economies or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- increases in expenses (including the cost of goods and services used by the Company and general commodity prices);

Appendix A: Key Risks (7 of 7)

- changes in government policies, taxation and other laws (including variations to existing taxes and the introduction of new taxes;
- the strength of, and fluctuations in, the equity and share markets in Australia and throughout the world;
- movement in, or outlook on, exchange rates, interest rates and inflation rates;
- industrial disputes in Australia and overseas;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital;
- financial failure or default by an entity with which the Company may become involved in a contractual relationship; and
- natural disasters, social upheaval, terrorism or war.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. Neither the Company nor its Directors warrant the future performance of the Company or any return to OEC shareholders.

Litigation Risks: The participation by the Company in the aerospace industry may expose the Company to possible litigation risks, including (without limitation) customer claims, environmental claims, occupational health and safety claims and employee claims. The Company may also be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not presently involved in material litigation and the Company's Directors are not aware of any basis on which any material litigation against the Company may arise.

Taxation and government regulations: Changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards and taxation law) can have a significant influence on the outlook for companies and the returns to investors.

Risks associated with an investment in shares: As with all stock market investments, there are risks associated with an investment in Orbital. Securities listed on the ASX have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of Orbital shares regardless of Orbital's performance. There is no assurance that the price of Shares will increase in the future. The price of Shares might trade below or above $0.50, being the offer price for the New Shares.

Unforeseen Expenses: While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

Broader General Risks: There are also a number of broader general risks which may impact the Company's performance. These include (without limitation):

- abnormal stoppages in normal business operations due to factors such as war, political or civil unrest, terrorism, infrastructure failure or industrial disruption; and
- higher than budgeted costs associated with the provision of product and service offerings.

Accounting standards: Australian accounting standards are set by the Australian Accounting Board and are outside of Orbital's control. Changes to accounting standards could materially adversely affect the financial performance and position reported in Orbital's financial statements.

Appendix B: International Offer Restrictions (1 of 1)

This document does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this document 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 below.

Bermuda: No offer or invitation to subscribe for entitlements to participate in the Entitlement Offer (**Entitlements**) or New Shares may be made to the public in Bermuda. The Entitlements and the New Shares will be offered in Bermuda only to existing shareholders of the Company. No invitation is being made to persons resident in Bermuda for exchange control purposes to subscribe for New Shares.

Hong Kong: WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Entitlement Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Japan: The Entitlements and the New Shares have not been, and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to a small number of investors. This document is for the exclusive use of existing shareholders of the Company in connection with the Entitlement Offer. This document is confidential to the person to whom it is addressed and must not be distributed, reproduced or disclosed (in whole or in part) to any other person in Japan other than by the Company to its shareholders.

Malaysia: No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to the offer of Entitlements and New Shares. The Entitlements and the New Shares may not be offered, sold or issued in Malaysia except to existing shareholders of the Company. Any New Shares not taken up under the Entitlement Offer may not be offered, sold or issued in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 and Schedule 7 of the Malaysian Capital Markets and Services Act.

New Zealand: The Entitlement and the New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. The offer of New Shares is renounceable in favour of members of the public.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Singapore: This document and any other materials relating to the Entitlements or the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document relating to the such securities may not be issued, circulated or distributed, nor may they be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. If you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom: Neither this document nor any other document relating to the Entitlement Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The Entitlements and the New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to fewer than 150 persons who are existing shareholders of the Company. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Entitlements or the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

ORBITAL® UAV

Ready to fly...™

Todd Alder
Managing Director / CEO
+61 8 9441 2311
contact@orbitalcorp.com.au

www.orbitaluav.com

Ian Donabie
Corporate Communications Manager
+61 8 9441 2165
idonabie@orbitalcorp.com.au