

APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Results for Announcement to the Market

Current reporting period: Year ended 30 June 2023
Previous corresponding period: Year ended 30 June 2022

	Amount \$'000	% Change up(+)/down(-)
Revenue from ordinary activities	16,802	+7%
Profit for the year	20	+100%
Profit after tax attributable to members	20	+100%

2. Dividends Information

The directors do not recommend the payment of a dividend in relation to the financial year ended 30 June 2023 (2022: nil)

3. Net tangible assets/(liabilities) per share

	2023 \$	2022 \$
Net tangible asset/(liability) backing per ordinary share	2.18	(1.70)

4. Commentary on the results

Revenue from ordinary activities for the year was \$16,802,000. This compared with revenue of \$15,720,000 for the year ended 30 June 2022, an increase of 7%. Prior announcements indicated total revenue of \$17,240,00 which has subsequently been adjusted to account for \$438,000 in deferred revenue into FY24.

The Group recorded a net profit after tax of \$20,000. This compared with a net loss after tax of \$11,626,000 for the year ended 30 June 2022, a decrease in losses of 100%. The net profit after tax represented a profit of 0.02 cents per share (basic and diluted), compared to a loss 12.92 cents per share for the year ended 30 June 2022.

Net cash outflows of \$21,000 were attributable to operating cash outflows of \$2,748,000, investing cash outflows of \$1,097,000 and financing cash inflows of \$3,866,000.

At year-end, the Company held \$2,292,000 in cash (30 June 2022: \$2,363,000) and recorded net assets of \$6,938,000 (30 June 2022: \$2,199,000) and net current assets of \$1,817,000 (30 June 2022 net current liabilities: \$4,977,000).

In November 2022 and January 2023, the Company completed a successful \$5,000,000 capital raising, issuing 25,000,000 new ordinary shares and new 17,500,000 share options to fund new engine development and supply additional working capital. The Company forecasts the new engine will enter production in FY24.

5. Audit report

The preliminary final report is based on accounts which are in the process of being audited and is likely to contain a statement of material uncertainty on going concern similar to prior periods.

6. Approval

This preliminary final report announcement was approved by Board resolution on 31 August 2023.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$'000	2022 \$'000
Continuing operations			
Sale of goods	2	12,350	12,641
Engineering services revenue	2	4,426	3,075
Royalty and licence revenue		-	5
Interest revenue		26	1
Total revenue		16,802	15,722
Other income		5,711	2,543
Materials and consumables expenses		(8,216)	(6,511)
Reversal/(write down) of excess inventory		404	(2,980)
Employee benefits expenses		(8,648)	(9,641)
Depreciation expenses		(1,046)	(980)
Amortisation of intangibles		(276)	(276)
Engineering consumables and contractor expenses		(792)	(526)
Occupancy expenses		(718)	(542)
Travel and accommodation expenses		(255)	(306)
Communications and computing expenses		(744)	(981)
Patent expenses		(191)	(386)
Insurance expenses		(832)	(1,047)
Audit, compliance and listing expenses		(540)	(465)
Finance costs		(214)	(670)
Allowance for impairment of other receivables		-	(75)
Warranty expenses		(236)	(91)
Other expenses		(249)	(580)
Foreign exchange gains/(losses)		60	731
Profit/(loss) before income tax from continuing operations		20	(7,061)
Income tax expense		-	(4,070)
Profit/(loss) for the year from continuing operations		20	(11,131)
Other comprehensive income			
Exchange differences on translation of foreign operations		2	(495)
Total comprehensive profit/(loss) for the year		22	(11,626)
Attributable to:			
Equity holders of the parent		22	(11,626)
Total comprehensive profit/(loss) for the year		22	(11,626)
Earnings per share			
Basic profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	6	0.02	(12.92)
Diluted profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	6	0.02	(12.92)
Earnings per share from continuing operations			
Basic profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	6	0.02	(12.92)
Diluted profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	6	0.02	(12.92)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		2,292	2,363
Other financial assets		751	586
Trade and other receivables		2,125	1,007
Inventories		5,980	11,074
Prepayments		191	172
Finance lease receivable		430	184
Total current assets		11,769	15,386
Non-current assets			
Intangibles		3,238	3,402
Plant and equipment		1,299	1,705
Inventories		2,238	1,776
Right-of-use asset		1,141	341
Finance lease receivable		253	-
Total non-current assets		8,169	7,224
Total assets		19,938	22,610
LIABILITIES			
Current liabilities			
Trade payables and other liabilities		1,979	3,060
Deferred revenue		1,243	4,046
Borrowings		1,452	8,486
Government grants		-	113
Lease liabilities		1,182	766
Provisions		4,096	3,892
Total current liabilities		9,952	20,363
Non-current liabilities			
Lease liabilities		653	-
Borrowings		2,344	-
Provisions		51	48
Total non-current liabilities		3,048	48
Total liabilities		13,000	20,411
Net assets		6,938	2,199
Equity			
Share capital	3	41,380	37,683
Option reserve	4	1,033	-
Reserves	5	2,594	2,605
Accumulated losses		(38,069)	(38,089)
Total equity		6,938	2,199

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Share capital	(Accumulated losses)	Employee equity benefits reserve	Foreign currency translation reserve	Option reserve	Total equity
Notes	3		5	5	4	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2022	37,683	(38,089)	2,665	(60)	-	2,199
Profit for the year	-	20	-	-	-	20
Foreign currency translation	-	-	-	2	-	2
Total comprehensive profit for the year	-	20	-	2	-	22
Issue of ordinary shares	3,662	-	-	-	-	3,662
Issue of share options	-	-	-	-	1,033	1,033
Share based payments	36	-	(13)	-	-	23
At 30 June 2023	41,380	(38,069)	2,652	(58)	1,033	6,938
At 1 July 2021	31,265	(26,958)	2,600	435	-	7,342
Loss for the year	-	(11,131)	-	-	-	(11,131)
Transfer to accumulated losses	-	-	-	-	-	-
Foreign currency translation	-	-	-	(495)	-	(495)
Total comprehensive loss for the year	-	(11,131)	-	(495)	-	(11,626)
Issue of ordinary shares	6,374	-	-	-	-	6,374
Share based payments	44	-	65	-	-	109
At 30 June 2022	37,683	(38,089)	2,665	(60)	-	2,199

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Cash receipts from customers		11,481	18,918
Cash paid to suppliers and employees		(15,460)	(22,886)
Cash receipts from R&D rebates		1,456	-
Interest received		26	1
Interest paid		(251)	(127)
Net cash used in operating activities		(2,748)	(4,094)
Cash flows from investing activities			
Payments for financial instruments		(166)	-
Purchase of plant and equipment		(291)	(505)
Grant rebates received		196	-
Payments for intangible asset		(836)	(1,697)
Net cash used in investing activities		(1,097)	(2,202)
Cash flows from financing activities			
Proceeds from issues of shares		5,000	6,479
Share issue transaction costs		(305)	(105)
Principal elements of lease payments		(829)	(986)
Net cash from financing activities		3,866	5,388
Net decrease in cash and cash equivalents		21	(908)
Cash and cash equivalents at 1 July		2,363	3,116
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(92)	155
Cash and cash equivalents at 30 June		2,292	2,363

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Orbital Corporation Limited, during the reporting period, in accordance with the continuous disclosure requirements of the ASX listing rules.

This preliminary final report including any commentary on the Company results was authorised for issue in accordance with a resolution by the board of directors.

Rounding Off

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

2. SEGMENT INFORMATION

	Australia		US		Consolidated	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	16,802	15,722	-	-	16,802	15,722
EBIT	449	(5,921)	(215)	(470)	234	(6,391)
Finance expenses	(192)	(645)	(22)	(25)	(214)	(670)
Profit/(loss) before income tax	257	(6,566)	(237)	(495)	20	(7,061)

	Australia		US		Consolidated	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets	19,938	22,457	-	153	19,938	22,610
Liabilities	12,052	20,199	948	212	13,000	20,411
Net assets	7,886	2,258	(948)	(59)	6,938	2,199

Revenue

	Australia		US		Consolidated	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	16,802	15,722	-	-	16,802	15,722
Total external revenue	16,802	15,722	-	-	16,802	15,722
Timing of revenue recognition						
At a point in time	12,376	12,647	-	-	12,376	12,647
Over time	4,426	3,075	-	-	4,426	3,075
	16,802	15,722	-	-	16,802	15,722

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

3. ISSUED CAPITAL

	2023 \$'000	2022 \$'000
Ordinary shares issued and fully paid	41,380	37,683
Movement in ordinary shares	Number	\$000's
At 1 July 2021	77,658,776	31,265
Issue of ordinary shares	12,985,114	6,479
Share issue transaction costs	-	(105)
Employee Share plan	352,804	44
At 30 June 2022	90,996,694	37,683
At 1 July 2022	90,996,694	37,683
Issue of ordinary shares	25,000,000	3,968
Share issue transaction costs	-	(306)
Employee Share plan	1,238,610	36
At 30 June 2023	117,235,304	41,380

Recognition and measurement

Share capital is recognised at the fair value of the consideration received. The cost of issuing shares is shown in the share capital as a deduction, net of tax, from the proceeds. Own equity instruments that are re-acquired are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. The Company does not have authorised capital or par value in respect of its issued shares.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

4. OPTIONS RESERVE

	2023 \$'000	2022 \$'000
Issued Options	1,033	-
Movement in options	Number	\$000's
At 1 July 2022	-	-
Issue of options	17,500,000	1,033
Revaluation	-	-
At 30 June 2023	17,500,000	1,033

As part of the new share issue during the year, 17,500,000 new Options were issued for nil cash consideration and were valued at \$1,033,205 using the Black Scholes method of calculation at issue date of 7 February 2023. A volatility rate of 99.8% and a risk-free rate of 3.16% was used in the calculation. The options are exercisable at \$0.35 on or before the date that is 3 years after the date of issue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

5. RESERVES

	Employee benefits reserve \$000's	Foreign currency translation reserve \$000's	Total \$000's
At 1 July 2021	2,600	435	3,035
Foreign currency translation	-	(495)	(495)
Rights issued pursuant to performance rights plan	65	-	65
At 30 June 2022	2,665	(60)	2,605
At 1 July 2022	2,665	(60)	2,605
Foreign currency translation	-	2	2
Rights issued pursuant to performance rights plan	(13)	-	(13)
At 30 June 2023	2,652	(58)	2,594

Nature and purpose of reserves

Foreign currency translation reserve

Used to record foreign exchange differences arising from the translation of the financial statements of foreign entities from their functional currency to the Group's presentation currency.

Employee benefits reserve

The employee benefits reserve records the share-based payments provided to key management personnel as part of their long-term incentive remuneration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

6. EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of Orbital Corporation Limited ("the Parent") by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2023 \$'000	2022 \$'000
Profit/(loss) attributable to ordinary equity holders of the Parent:		
Continuing operations	20	(11,131)
Discontinued operations	-	-
Profit/(loss) attributable to equity holders of the Parent for basic earnings	20	(11,131)

	2023 Number	2022 Number
Weighted average number of ordinary shares for basic EPS	104,435,036	86,161,094
Weighted average number of ordinary shares adjusted for the effect of dilution	104,435,036	86,161,094

Earnings per share	Cents	Cents
Basic profit/(loss) per share	0.02	(12.92)
Diluted profit/(loss) per share	0.02	(12.92)

Earnings per share from continuing operations	Cents	Cents
Basic profit/(loss) per share	0.02	(12.92)
Diluted profit/(loss) per share	0.02	(12.92)

Performance rights granted to key management personnel were deemed potential ordinary shares. Refer to Note F.3 for further details.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of the financial statements.

The number of potential ordinary shares not considered dilutive and contingently issuable are as follows:

	2023 Number	2022 Number
Performance rights	430,464	1,549,105
Total	430,464	1,549,105