



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 2023
Previous corresponding period:	Half Year ended 31 December 2022

Results for announcement to the market

					A\$'000
Total revenue from continuing operations	Down	-33%	to		8,497
Net loss from continuing operations after tax	Down	76%	to		(425)
Net loss for the period attributable to members	Down	76%	to		(425)

Net tangible assets per share

	31 Dec 2023	30 June 2023
Net tangible assets per share (cents)	4.60	3.16

Dividends


There is no proposal to pay dividends for the half year ended 31 December 2023


CORPORATE INFORMATION

ABN 32 009 344 058

REGISTERED AND PRINCIPAL OFFICE

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Balcatta, Western Australia 6021
Australia

 | @OrbitalCorpASX

 | Orbital UAV

CONTACT DETAILS

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<http://www.orbitaluav.com>
Email: contact@orbitalcorp.com.au

DIRECTORS

J.P. Welborn, Chairman
S.B. Gallagher
F.K. Abbott
G.C. Lukey

COMPANY SECRETARY

T.B. Spencer

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

Nexia Perth Audit Services Pty Ltd
Level 3, 88 William Street
Perth, Western Australia 6000



31 December 2023
Half-Year Financial Report

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Your Directors submit their report for the half-year ended 31 December 2023

DIRECTORS

The following persons were Directors of the Company during the half-year ended 31 December 2023 and up to the date of this report, unless stated otherwise.

Name	Information on Directors
John Welborn	Chairman (Non-executive)
Steve Gallagher	Non-Executive Director
Kyle Abbott	Non-Executive Director
Grant Lukey	Non-Executive Director (appointed 1 December 2023)
Todd Alder	Managing Director and Chief Executive Officer (resigned 22 September 2023)

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 \$8,497,000 (2022: \$12,747,000) with a loss before income tax from continuing operations of \$425,000 (2022: loss of \$1,808,000). The loss before income tax from continuing operations includes an unrealised foreign exchange loss of \$284,000 (2022: unrealised gain: \$5,000). The loss excluding income tax and unrealised foreign exchange from continuing operations for the period was \$141,000 (2022: \$1,813,000).

At 31 December 2023, cash, term deposits and receivables were \$8,480,000 (June 2023: \$5,168,000). Net cash used in operations during the period was \$1,181,000 (net cash from operations in the prior period 2022: \$56,000).

Operational Review

Revenue of \$8,487,000 for the half-year ended 31 December 2023 was comprised of \$6,709,000 sales income of established engine models under the Company's long term agreement ('LTA') with Insitu, a wholly owned subsidiary of the Boeing Company, and engineering services income from development programs across Orbital UAV's growing customer portfolio of \$1,778,000.

Orbital UAV continues to progress with delivery of engine production for Boeing-Insitu. Engineering studies and pre-production prototyping activities for Lycoming/Textron Systems and a major Singapore customer are progressing well against agreed mandates and targets first production of two new engine lines in the second half of FY24.

WA Government Loan Milestones

The Group is performing well against WA Government loan milestones having been granted \$500,000 in offset repayments during the half-year ended 31 December 2023 and achieving \$1,600,000 in credits against future repayment periods. The loan balance at 31 December 2023 is \$3,296,000 before any interest charges are recognised.

Customer programs

The Company continues to deliver against long standing engineering development programs with existing customers and has successfully expanded engagements with Textron and one of Singapore's largest defence companies for production of two new lines of engines commencing in the second half the financial year. The contracts have matured from integration design, verification and testing into production readiness activities.

The recently announced \$3.5 million contract extension with the Singapore Customer (25 October 2023) validates the effectiveness of the design and development activities delivered to date and now transitions the Company toward Production of the new engine designs. First shipment is scheduled to occur in April 2024, with partial completion of the initial order in FY24 and the balance within the subsequent financial year.

Shipping of engines for Boeing Insitu recommenced in the first quarter of FY24 and is expected to be fully delivered by March 2024, at which point Orbital UAV envisages a transition to a support relationship to assist with fleet maintenance and technical support.

New share issue (Placement)

Orbital UAV's innovation and development pipeline initiated a Placement in September 2023 to raise up to A\$4M. The Placement was conducted in two tranches, the first \$3m being issued to strategic new investors in September 2023 and the balance issued to the Company's largest shareholder following approval at the Annual General Meeting held in November 2023. Funds raised are to be directed towards new engine development programs and general working capital.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Material Business Risk Statement

The Group actively manages risk exposures through a comprehensive risk management framework overseen by the Audit and Risk Committee. Current exposures relevant to the information provided in this report include:

Concentration Risk

The Group's business relies on business relationships, including its relationships with its key suppliers and currently, key customer, Insitu. For the Group's reporting period ended 31 December 2023, the Company's long term agreement (LTA) with Insitu accounted for approximately 76% of the Company's revenue. Insitu may terminate the LTA for convenience, default or force majeure and this may have a material adverse effect on the financial performance, financial position and/or reputation of the Company.

It is anticipated that the concentration risk associated with the Insitu LTA will be reduced as the Group transitions Textron and Singapore Customer programs into production later this financial year, thus reducing the weighting of Insitu related revenues.

Market Risk

The Group currently operates predominantly in the aerospace sector. The level of activity in this sector will be influenced by external factors including supply and demand, competitiveness of manufacturing operations and technology, 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 Group, may have an adverse effect on future operating results of the Company.

The Group conducts regular market analysis and engages with market leading defence contractors to position its products and services in areas of key demand. Research and Innovation initiatives are designed to maintain the Group's competitiveness in the sector.

Foreign Currency Risk

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 Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities, in which sales and purchases are denominated in foreign currencies.

The Group manages its exposure to foreign currency risk by regularly monitoring and performing sensitivity analysis on the Group's financial position and performance as a result of movements in foreign exchange rates. The Group holds bank accounts in foreign denominated currencies which are converted to Australian dollars through rate orders for at prevailing rates and maintains hedging facilities for risk mitigation for longer term exposures.

Interest Rate Risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in the market interest rates.

The Group's exposure to market interest rates relates primarily to the Group's cash and term deposits with financial institutions. The primary goal of the Group is to maximise returns on surplus cash, using deposits with maturities of 90 days or less. Management continually monitors the returns on funds invested. There is currently no credit interest rate risk exposures on the Group's balance sheet.

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 Group is exposed to credit risk from its operating and investing activities, including trade receivables and short-term deposits with financial institutions. Maximum exposure to credit risk equals to the carrying amount of these financial assets. The significant concentration of credit risk within the Group relate to receivable balances from the Group's major customer.

It is the Group's 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 Group relate to receivable balances from the Group'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

For the purposes of the Group's capital management, capital includes contributed shareholder equity. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital, provides a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or adjust the capital structure, the Group may issue new shares or debt from time to time.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Outlook

The Company is well positioned and well funded to progress with its capability expansion plans, specifically the development of larger engine platforms for additional power and payload delivery, as well as further hybrid and power management system developments.

The Company has a growing portfolio of contracted and globally recognised customers. With an increasing pipeline of opportunities within the defence industry, Orbital UAV continues to build its revenue growth potential and enhance its reputation as a world leader in the design and delivery of UAV engines.

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half-year ended 31 December 2023.

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.



John P Welborn
Chairman
Perth, 28 February 2024

To the Board of Directors of Orbital Corporation Limited,

Auditor's independence declaration under section 307C of the Corporations Act 2001

As lead auditor for the review of the financial statements of Orbital Corporation Limited for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

**Nexia Perth Audit Services Pty Ltd**

Muranda Janse Van Nieuwenhuizen
Director

Perth
28 February 2024

Advisory. Tax. Audit.

ACN 145 447 105

Nexia Perth Audit Services Pty Ltd (ABN 27 145 447 105) is a firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Notes	2023 \$'000	2022 \$'000
Continuing operations			
Sale of goods		6,709	10,864
Engineering services income		1,778	1,881
Royalty and licence income		-	-
Interest revenue		10	2
Total revenue		8,497	12,747
Other income		542	806
Materials and consumables expenses		(3,664)	(7,215)
Write down of obsolete inventory		(1)	(92)
Employee benefits expenses		(4,346)	(5,096)
Depreciation expenses		(488)	(520)
Amortisation of intangibles	4	(100)	(138)
Engineering consumables and contractors expenses		(318)	(340)
Occupancy expenses		(227)	(279)
Travel and accommodation expenses		(62)	(154)
Communications and computing expenses		(349)	(379)
Patent expenses		(115)	(87)
Insurance expenses		(347)	(427)
Audit, compliance and listing expenses		(137)	(350)
Finance costs		(135)	(20)
Warranty expenses		1,208	(142)
Other expenses		(99)	(127)
Foreign exchange gains/(losses)		(284)	5
Loss before income tax from continuing operations		(425)	(1,808)
Income tax expense		-	-
Loss for the period from continuing operations		(425)	(1,808)
Attributable to:			
Equity holders of the parent		(425)	(1,808)
Loss for the period from continuing operations		(425)	(1,808)
Other comprehensive loss			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(1)	(4)
Total comprehensive loss for the period		(426)	(1,812)
Attributable to:			
Equity holders of the parent		(426)	(1,812)
Total comprehensive loss for the period		(426)	(1,812)
Basic loss for the period attributable to ordinary equity holders of the parent (cents)		(0.33)	(1.95)
Diluted loss for the period attributable to ordinary equity holders of the parent (cents)		(0.33)	(1.95)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		31 Dec 2023	30 Jun 2023
ASSETS	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents		4,126	2,292
Other financial assets		751	751
Trade and other receivables		3,603	2,125
Inventories	3	2,526	5,980
Prepayments		499	191
Finance lease receivable		469	430
Total current assets		11,974	11,769
Non-current assets			
Intangibles	4	3,597	3,238
Deferred taxation asset	5	-	-
Plant and equipment		1,101	1,299
Inventories	3	2,869	2,238
Right-of-use asset		2,931	1,141
Finance lease receivable		526	253
Total non-current assets		11,024	8,169
Total assets		22,998	19,938
LIABILITIES			
Current liabilities			
Trade payables and other liabilities		1,443	1,979
Deferred revenue		996	1,243
Borrowings	7	3,371	1,452
Lease liabilities		635	752
Provisions		2,892	4,096
Total current liabilities		9,337	9,522
Non-current liabilities			
Lease liabilities		3,313	1,083
Borrowings		-	2,344
Provisions		49	51
Total non-current liabilities		3,362	3,478
Total liabilities		12,699	13,000
Net assets		10,299	6,938
Equity			
Share capital	6	45,167	41,380
Options reserve		1,033	1,033
Reserves		2,593	2,594
Accumulated losses		(38,494)	(38,069)
Total equity		10,299	6,938

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Share capital	(Accumulated losses)	Employee equity benefits reserve	Foreign currency translation reserve	Option Reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2023	41,380	(38,069)	2,652	(58)	1,033	6,938
Loss for the period	-	(425)	-	-	-	(425)
Foreign currency translation	-	-	-	(1)	-	(1)
Total comprehensive income for the period	-	(425)	-	(1)	-	(426)
Issue of ordinary shares	3,787	-	-	-	-	3,787
Share based payments	-	-	-	-	-	-
At 31 December 2023	45,167	(38,494)	2,652	(59)	1,033	10,299
At 1 July 2022	37,683	(38,089)	2,665	(60)	-	2,199
Loss for the period	-	(1,808)	-	-	-	(1,808)
Foreign currency translation	-	(4)	-	(4)	-	(8)
Total comprehensive income for the period	-	(1,812)	-	(4)	-	(1,816)
Issue of ordinary shares	2,300	-	-	-	-	2,300
Share based payments	-	-	81	-	-	81
At 31 December 2022	39,982	(39,901)	2,746	(64)	-	2,763

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	2023 \$'000	2022 \$'000
Cash flows from operating activities		
Cash receipts from customers	6,502	11,889
Cash paid to suppliers and employees	(7,677)	(11,815)
Interest received	10	2
Interest paid	(16)	(20)
Net cash from/(used) in operating activities	(1,181)	56
Cash flows from investing activities		
Purchase of plant and equipment	(22)	(239)
Payments for intellectual property	(459)	(404)
Net cash used in investing activities	(481)	(643)
Cash flows from financing activities		
Proceeds from issues of shares	4,000	2,500
Share issue transaction costs	(213)	(200)
Principal elements of lease payments	(293)	(547)
Proceeds from loan advances	-	(107)
Net cash from financing activities	3,494	1,646
Net increase/(decrease) in cash and cash equivalents	1,832	1,059
Cash and cash equivalents at 1 July	2,292	2,363
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	2	(82)
Cash and cash equivalents at 31 December	4,126	3,340

The accompanying notes form part of the financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The consolidated financial statements for the half-year ended 31 December 2023 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 28 February 2024.

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.

(b) Basis of preparation

This general purpose consolidated financial report for the half-year ended 31 December 2023, 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 2023 and considered together with any public announcements made by the Company during the half-year ended 31 December 2023 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.

(c) New Accounting Standards and Interpretations

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

(d) Going concern assumption

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, and existing cash reserves held as at 31 December 2023.

For the half-year ended 31 December 2023, the Group recorded an after tax loss of \$425,000 and had operating cash outflows of \$1,181,000. As at 31 December 2023 the Group had net assets of \$10,299,000 and net current assets of \$2,637,000.

The Group also had cash inflows from financing activities of \$3,494,000 leading to positive cash inflows for the half-year ended 31 December 2023 of \$1,832,000.

The going concern assumption is based on the Group's cash flow projections and existing cash reserves as at 31 December 2023 and covers a period of at least twelve months from the date of this report.

The projections show that the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon a number of factors including:

- meeting the renegotiated terms of the WA government loan, as described in note 7, such that repayments are not required within the forecast period;
- achieving forecasted operational performance and positive operating cash flows from the existing engine production and engineering programs;
- continued success in developing and commercialising new engines;
- reducing overheads through cost saving initiatives; and
- securing funding above and beyond the Group's existing committed facilities if required.

As a result of these matters, there is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors consider that the Group will be successful in the above matters and have therefore prepared the financial report on a going concern basis.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

2. 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 2023

	Australia		US		Consolidated	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	8,497	12,747	-	-	8,497	12,747
EBIT	(122)	(1,448)	(168)	(340)	(290)	(1,788)
Finance expenses	(101)	(14)	(34)	(6)	(135)	(20)
Loss before income tax	(223)	(1,462)	(202)	(346)	(425)	(1,808)

	Australia		US		Consolidated	
	31 Dec 2023	30 June 2023	31 Dec 2023	30 June 2023	31 Dec 2023	30 June 2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets	21,779	18,498	1,219	1,440	22,998	19,938
Liabilities	11,436	11,399	1,263	1,601	12,699	13,000
Net assets	10,343	7,099	(44)	(161)	10,299	6,938

3. INVENTORIES

	31 Dec 2023	30 June 2023
	\$'000	\$'000
Raw materials	6,027	8,944
Provision for obsolescence	(2,545)	(2,558)
Work in progress	1,838	1,832
Finished goods	75	-
	5,395	8,218
Current	2,526	5,980
Non Current	2,869	2,238
	5,395	8,218

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.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

4. INTANGIBLES

Consolidated	Model 2019 Development \$'000	Model 2021 Development \$'000	Model 2023 Development \$'000	Total \$'000
31-Dec-23				
Cost	2,611	4,166	212	6,989
Accumulated amortisation and impairment	(1,190)	(57)	-	(1,247)
R&D tax offset recognised	(1,421)	(724)	-	(2,145)
Net carrying amount	-	3,385	212	3,597
Movement				
Net carrying amount at the beginning of the half-year	43	3,195	-	3,238
Additions	-	247	212	459
Amortisation for the year	(43)	(57)	-	(100)
R&D tax offset recognised	-	-	-	-
Net carrying amount at the end of the half-year	-	3,385	212	3,597
30-Jun-23				
Cost	2,611	3,919	-	6,530
Accumulated amortisation and impairment	(1,147)	-	-	(1,147)
R&D tax offset recognised	(1,421)	(724)	-	(2,145)
Net carrying amount	43	3,195	-	3,238
Movement				
Net carrying amount at the beginning of the half-year	319	3,083	-	3,402
Additions	-	836	-	836
Amortisation for the year	(276)	-	-	(276)
R&D tax offset recognised	-	(724)	-	(724)
Net carrying amount at the end of the half-year	43	3,195	-	3,238

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.

5. Taxes

Due to future uncertainties in the business as set out in note 1D, deferred taxes assets are only recognised to the extent of existing deferred tax liabilities.

6. Share Capital

	31 Dec 2023 \$'000	30 June 2023 \$'000
Ordinary shares issued and fully paid	45,167	41,380
Movement in ordinary shares	Number	\$000's
At 1 January 2023	104,503,335	39,983
Employee share plan	231,969	36
Issue of ordinary shares	12,500,000	1,467
Share issue transaction costs	-	(106)
At 30 June 2023	117,235,304	41,380
At 1 July 2023	117,235,304	41,380
Issue of ordinary shares	28,571,429	4,000
Share issue transaction costs	-	(213)
At 31 December 2023	145,806,733	45,167

In September 2023, the Group raised \$4.0 million from a strategic placement to existing and new sophisticated investors to support engine development programs and strengthen the Group's balance sheet. The placement was conducted in two tranches and received approval at the Groups Annual General Meeting in November 2023.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

7. Borrowings

	31 Dec 2023 \$'000	30 June 2023 \$'000
Current	3,371	1,452
Non-current	-	2,344
	3,371	3,796

Changes in borrowings arising from financing activities are as follows:

	\$'000
At 1 July 2023	3,796
Loan forgiveness grant income	(500)
Grant income (interest income)	-
Interest expenses	75
At 31 December 2023	3,371

On 25 January 2010, the Department of Jobs, Tourism, Science and Innovation ("JTSI") provided the Group with an interest-free loan of \$14,346,000 under the terms of a Deed (Acknowledgment of Debt) ("the Deed"). The terms and conditions attached to the Deed are as follows:

- The term of the loan was from 25 January 2010 to 30 May 2025.
- The Group successfully renegotiated the loan and received formal confirmation of a Deed of Variation on 31 January 2023.
- The Deed of Variation changed the repayment due dates so that the term of the loan was reduced to 31 December 2024.
- The repayment offset options provide the potential to forgive the entire value of the loan.
- The offset provisions are contingent on the Group achieving operational milestones over the remaining period.
- For the year ended June 2023, the Group achieved various operational milestones and reduced the loan by \$4.5M.
- As of 31 December 2023, the Group realised further loan offset of \$0.5M and \$1.6M in credits against future repayment periods.

Accounting standards require interest to be imputed while the loan is interest free. The benefit of extension of interest free terms agreed under the Deed of Variation (\$0.3M) is recognised on contract effective date as grant income, in accordance with AASB 120 Accounting for Government Grants.

The interest-free loan is secured by way of a first ranking floating debenture over the whole of the assets and undertakings of the Group.

The remaining contractual maturities of the loan are:

	0-1 year \$'000	Total contractual cashflows \$'000	Carrying amount of liabilities \$'000
At 31 December 2023			
Borrowings	3,371	3,371	3,371

8. SUBSEQUENT EVENTS

The Group has evaluated events subsequent to 31 December 2023. As of 28 February 2024 there are no material subsequent events that require disclosure in this Financial report.

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 2023 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,



John P Welborn
Chairman

Perth, Western Australia
Dated: 28 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Orbital Corporation Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Orbital Corporation Limited ("the Company") and its controlled entities ("the Group"), which comprises the Consolidated Statement of Financial Position as at 31 December 2023, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising significant accounting policy information and other explanatory information, 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 half-year financial report of Orbital Corporation Limited does not comply with the *Corporations Act 2001* including:

- i) giving a true and fair view of Orbital Corporation Limited's financial position as at 31 December 2023 and the performance for the half-year ended on that date of the consolidated entity; and
- iii) 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*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the 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.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(d) in the financial report, which indicates that the Group recorded an after tax loss of \$425,000 and had operating cash outflows of \$1,181,000. As at 31 December 2023, the Group had net assets of \$10,299,000 and net current assets of \$2,637,000. The Group also had cash inflows from financing activities of \$3,494,000 leading to positive cash inflows for the half-year ended 31 December 2023 of \$1,832,000. As stated in Note 1(d), these events or conditions, along with other matters as set forth in Note 1(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Advisory. Tax. Audit

ACN 145 447 105

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Responsibility of the Directors for the Financial Report

The directors of the Group 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.

Auditor's Responsibility for the Review of the 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 2023 and 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.



Nexia Perth Audit Services Pty Ltd



Muranda Janse Van Nieuwenhuizen
Director

Perth
28 February 2024