ORBITAL UAV

ASX ANNOUNCEMENT

27 August 2021

APPENDIX 4E

Preliminary Final Report for the year ended 30 June 2021

Reporting Period

The reporting period is for the year ended 30 June 2021 with the corresponding reporting period being for the year ended 30 June 2020.

Results for announcement to the market

				30 June 2021 A$'000
Revenue from continuing operations	Down	**8%**	To	**31,202**
Profit/(Loss) for the year	Down	**716%**	To	**(11,445)**
Profit/(Loss) after tax attributable to members	Down	**716%**	To	**(11,445)**

	30 June 2021	30 June 2020
Net tangible assets per share (cents)	**0.56**	**12.53**

Dividends

There is no proposal to pay dividends for the year ended 30 June 2021.

Audit

This report is based on accounts which have been audited.

Commentary on results for the period

The commentary on the results for the period is contained within the Annual Report and ASX announcement accompanying the report.

Annual Meeting

The annual meeting is expected to be held as follows:

Place: City of Perth Library
573 Hay Street
Perth, Western Australia

Date: 16 November 2021

-ENDS-

CONTACTS

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About Orbital UAV

Orbital UAV provides integrated propulsion systems and flight critical components for tactical unmanned aerial vehicles (UAVs). Our design thinking and patented technology enable us to meet the long endurance and high reliability requirements of the UAV market. We have offices in Australia and the United States to serve our prestigious client base.

Forward-looking statements

This release includes forward-looking statements that involve risks and uncertainties. These forward-looking statements are based upon management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company that could cause actual results to differ materially from such statements. Actual results and events may differ significantly from those projected in the forward-looking statements as a result of a number of factors including, but not limited to, those detailed from time to time in the Company's Annual Reports. The Company makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

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2021 ANNUAL REPORT

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CORPORATE PROFILE

Orbital UAV provides integrated propulsion systems and flight critical components for tactical unmanned aerial vehicles (UAVs).

Our design thinking and patented technology enable us to meet the long endurance and high reliability requirements of the UAV market. We have offices in Australia and the United States to serve our prestigious client base.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The Directors present their report together with the financial report of Orbital Corporation Limited (the Company or Orbital) and of the Group, being the Company and its subsidiaries for the year ended 30 June 2021 and the auditor's report thereon.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

1. OPERATING AND FINANCIAL REVIEW

John Welborn
Chairman
Non-Executive Director

Todd Alder
Managing Director and Chief Executive Officer

Dear Shareholders,

On behalf of the Board of Directors ("the Board"), we are pleased to present the annual report of Orbital Corporation ("Orbital" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2021.

Overview

FY21 highlights

- Delivery of $31.2M revenue
- Operational EBITDA of $1.2M and Net Loss of $1.3M adjusted for one off items;
- Renegotiated WA Government Loan to support near-term engine production line expansion;
- New engine development program and supply agreement signed with Textron subsidiary Lycoming Engines;
- Engine prototypes delivered to Textron-Lycoming and Orbital's Singapore Defence customer;
- Facility review by Minister for Defence Industry, Hon Melissa Price MP;
- Named SME of the Year at the 2020 Australian Defence Industry Awards; and
- Restructured for profitability in FY22.

Orbital achieved operating revenue of $31.2M in FY21, the lower end of the Company's revised guidance of between $30M and $40M for the period. Revenue was underpinned by two engine model production lines for key customer Insitu Inc., a wholly owned subsidiary of the Boeing Company.

The Company's strong first half performance (HY revenue: $19M, HY operational profit: $0.6M) was impacted in the second half by a reduction in order volumes from Boeing-Insitu for one engine model production line. In addition, production of the third engine model under Orbital's Long Term Agreement ('LTA') with Boeing-Insitu was delayed due to additional customer requested design revisions.

In March 2021, Orbital further progressed its customer diversification strategy, signing an engine development and supply agreement with Lycoming Engines, an unincorporated operating division of Avco Corporation, a subsidiary of Textron Inc. The new agreement includes a 12-month engine development program, which will enable the integration of an Orbital-designed core engine, including proprietary fuel and engine control systems, into Textron Systems' Aerosonde program. Textron Systems Corporation is a subsidiary of Textron and a world leader in unmanned aircraft systems (UAS).

Upon satisfactory completion of the engine development program, the Agreement transitions to an engine supply contract. The contract represents a major expansion of Orbital's business partnerships and future revenue opportunities.

WA Government Loan Deed of Variation

In early 2021 Orbital commenced renegotiations of its $10M WA Government Loan and received formal confirmation of a Deed of Variation on 12 August 2021.

The restructured loan agreement includes an extended repayment schedule over the next four years and repayment offset options that are contingent on the Company achieving operational milestones aligned with its increasing engine business in Western Australia over that period.

The repayment offset options provide the potential to forgive the entire value of the loan.

As loan negotiations were concluded after the 2021 financial year end, compliance with accounting standards required the full value of the WA Government Loan to be recorded as a current liability.

This revised agreement restores balance sheet strength and supports the Company's growth aspirations, specifically the near-term expansion of engine production lines in Balcatta, Western Australia.

In FY22, $4M of the $9.9M loan is expected to be offset due to achievement of operational milestones.

Financial results

The Company reported financial results for the year ended 30 June 2021, with revenue from continuing operations of $31,202,000 (2020: $33,823,000) and a net loss after tax of $11,445,000 (2020: profit of $1,857,000).

Operational Net Loss of $1.3M has been adjusted for the following one off items:

- US Asset Impairment of $2.5M. US facility remains operational and a critical part of Orbital's long term growth objectives;
- One off engine reworks of $2.4M and FY22 rework provision of $1.7M;
- Restructure cost of $0.6M;
- FX loss (net) of $1M on the conversion of USD intercompany loan to AUD;
- Write off US Deferred Tax Asset of $1.2M; and
- WA Government Loan additional interest expense of $0.6M.

The Company reports a balance sheet with cash and receivables of $7,705,000 (2020: $14,681,000) and net current assets of -$474,000 (2020: $11,851,000). The decrease in net current assets is the result of the full amount payable on the WA Government loan ($10M) being triggered whilst the loan terms were under renegotiation. Despite the Deed of Variation being signed shortly after 30 June 2021, compliance with the accounting standards requires the Company to recognise the full value of the WA Government loan as current liability at the close of the financial year.

Net cash outflow from operating activities during the period was $1,559,000 (2020: net cash inflow $3,726,000).

Shareholder returns

	2021	2020	2019	2018	2017
Closing share price ($)[1]	0.83	0.75	0.30	0.36	0.50
Market capitalisation ($m)	64.46	58.2	23.2	27.9	38.6
Basic EPS (cents) from operations	(14.74)	2.40	(7.63)	2.87	(15.55)

[1] as at 30 June

Management transition

On 01 July 2020, Mr Martin Johnston BEng (Hons) was appointed Chief Operating Officer. Mr Johnston is a Chartered Engineer and has more than 20 years' experience in engineering, design, prototyping, testing and manufacturing. He is a Member of the Institute of Mechanical Engineers.

Change in operations

The Company took action in the second half of FY22 to ensure it is structured appropriately and best positioned strategically to continue to deliver on its long-term market opportunity. Orbital maintains operations in Australia and the United States and remains confident the Company's customer diversification strategy will generate additional engineering development programs.

COVID-19

Like many businesses in Australia, the USA and around the world, Orbital 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 minimise the risk of contracting and spreading the virus at its operations in Australia and the USA.

Our ability to continue manufacturing at our operations and our product demand was not impacted directly by the COVID-19 pandemic. We 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.

The Company will continue to support the public health effort to minimise the spread of COVID-19.

Outlook

As geopolitical tensions rise, the intelligence, surveillance and reconnaissance capability that unmanned aircraft systems ('UAS') provide will continue to be an integral and increasing part of modern defence forces. Defence spending globally remains high and market research continues to predict significant growth in the UAS market over the coming decade.

The growing tactical UAS market remains Orbital UAV's core focus. The Company continues to build long-term, strategic partnerships with established global defence contractors in this sector, as well as making progress with newer players entering the market. The Company's most recent contract with Textron subsidiary Lycoming Engines represents a significant new revenue stream in the mid-term and the Company continues to work to secure additional defence prime customers.

Orbital's engines and associated technologies have accumulated hundreds of thousands of flight hours and with that comes a growing reputation for capability, quality and reliability. The Company continues to leverage this reputation to build its pipeline of opportunities and expand Orbital UAV's customer base and market share.

Revenue in FY22 is expected to be in line with FY21 results and will continue to be underpinned by production revenue from the engine models included in the Boeing-Insitu LTA. During FY22, the Company plans to have three engine production lines in operation under the Agreement. Orbital's LTA with Boeing-Insitu remains foundational to the Company's near-term revenue growth.

Since the start of 2020, Orbital UAV's customer diversification strategy has resulted in the Company's customer portfolio expanding from Boeing-Insitu to now include, Lycoming Engines, Northrop Grumman and one of Singapore's largest defence companies. Orbital UAV is working with all these leading tactical drone manufacturers on development programs for new engine products.

With a growing portfolio of global defence customers, Orbital UAV's engine development programs represent significant long-term revenue opportunities. The Company is targeting profitability on stable revenue in FY22 and expects revenue growth and profitability to accelerate in FY23 with additional engine models entering production.

The Chairman and Managing Director would like to thank the ongoing commitment of the Company's shareholders and staff.

2. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr John Paul Welborn, BCom, FCA, FAIM, MAICD, MAusIMM, JP

Chairman

Joined the Board in June 2014 and appointed as Chairman in March 2015. Mr Welborn is the Managing Director and Chief Executive Officer of Equatorial Resources Limited, an ASX listed (ASX: EQX) iron ore exploration and development company.

Mr Welborn is a Chartered Accountant with a Bachelor of Commerce degree from the University of Western Australia and holds memberships of the Institute of Chartered Accountants in Australia (ICAA), the Financial Services Institute of Australasia (FINSIA) and the Australian Institute of Company Directors (AICD).

Mr Welborn is a former international rugby union player with extensive experience in the resources sector as a senior executive and in corporate management, finance and investment banking. He has served on the Boards of a number of charitable organisations and is a former Commissioner of Tourism Western Australia.

Mr Welborn also serves as a director of Equatorial Resources Limited (appointed August 2010) and a Non-Executive Director of Apollo Minerals Ltd (appointed February 2021).

Mr Todd Alder, BEc (Acc), CPA, ACIS

Managing Director and Chief Executive Officer

Joined Orbital as Chief Financial Officer and Company Secretary in December 2016 and appointed as Managing Director and Chief Executive Officer in August 2017. Mr Alder's experience includes successful start-ups, acquisitions and the implementation of lean concept business transformations. Mr Alder is an accomplished leader focused on financial discipline, strategy alignment and operational efficiency.

His previous role was Chief Financial Officer and Company Secretary at Toro Energy Limited, where he was responsible for financial and management accounting, company secretarial functions, investor relations and information technology. Mr Alder has also worked with Capgemini Consulting (previously Ernst & Young) and Origin Energy Limited.

Mr Steve Gallagher, B.E (Hons), B.Com, MAICD

Non-Executive Director

Joined the Board in April 2017. Mr Gallagher is Principal of Agere Pty Ltd, an advisory and investment company drawing on his capability and professional networks established over 30 years as a CEO and director of global businesses.

Mr Gallagher has operated in various business sectors including industrial automation, building technology and power systems, having spent 15 years living and working in Asia (China, Hong Kong and Singapore) and Europe (Switzerland).

Mr Gallagher is currently a Non-Executive Director with Optal Ltd (an innovative global payment solutions company), Vix Technology Ltd (an industry leader in transport ticketing, fare collection/payments), Transact1 Pty Ltd (a financial services provider for cash management optimisation and Littlepay Pty Ltd (transit payment processing service provider).

Mr Gallagher is also the chairman of the Company's Audit and Risk Committee.

Mr Kyle Abbott, B.Com (Hons 1st), CA

Non-Executive Director

Joined the Board in May 2018. Mr Abbott is an experienced aerospace and defense industry executive. Mr Abbott was Managing Director of Western Australian Specialty Alloys (WASA) from 1996 to 2015. During this period WASA grew from a Western Australian specialised alloy manufacturer to become a major supplier to the global aerospace industry, with key customers in the United States, the United Kingdom and Japan. In 2000, Mr Abbott managed the successful sale of WASA to United States-based Precision Castparts Corporation (PCC), an S&P 500 company. PCC was subsequently acquired by Berkshire Hathaway in 2015.

Mr Abbott is also a member of the Company's Audit and Risk Committee.

3. COMPANY SECRETARY

Mr David Bonomini, B.Com, CPA

Mr David Bonomini was appointed as Chief Financial Officer and Company Secretary in February 2020. Mr Bonomini is a respected finance executive with global experience leading governance, regulatory and commercial initiatives in high growth companies. He is a qualified CPA and holds a Bachelor of Commerce degree. In his previous CFO roles with Compass Group Australia and KB Food Company, Mr Bonomini was responsible for commercial, financial, tax and mergers and acquisitions during periods of significant expansion.

4. DIRECTORS' MEETINGS

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial year are shown below.

	Directors Meetings		Audit and Risk Committee Meetings	
Director	**No. of meetings attended**	**No. of meetings held[1]**	**No. of meetings attended**	**No. of meetings held[2]**
J P Welborn	7	7	-	-
T M Alder	7	7	-	-
S Gallagher	7	7	6	6
K Abbott	7	7	6	6

[1] Number of meetings held during the time the Director held office during the year.
[2] The Audit and Risk Committee was established in March 2019.

5. PRINCIPAL ACTIVITIES

Orbital's focus is on the revolutionary design, proven manufacturing processes and rigorous testing to deliver superiority in UAV propulsion systems and flight critical components.

The Company drives its UAV-focused strategy from its dedicated production facilities in WA, Australia and Oregon, USA. Our intellectual property, know-how and industry experience, enable us to meet the long endurance and high reliability requirements of the rapidly evolving UAV market.

Working with our international customers and supply chain, we continue to design, develop and manufacture world-leading propulsion system solutions and associated technologies to meet the changing demands and increasing mission parameters of tactical UAVs.

6. DIVIDENDS

No dividend has been paid or proposed in respect of the current financial year.

7. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Other than the matter sets out below, in the interval between the end of the year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years:

• On 12 August 2021, a deed of variation was confirmed to the interest-free loan contract (as per Note D.1) to reschedule the loan repayments over the next 4 years. The deed of variation provides the Company the option to offset repayment amounts if agreed operational milestones are achieved.

8. PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 01.

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Information as to the likely developments in the operations of the Group is set out in the operating and financial review above.

10. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Directors do not believe that the Group has significant environmental obligations. The Group's policy is to comply with any applicable environmental regulations that are in force during the reporting period.

11. DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company shown in the Register of Directors' Shareholdings as at 30 June 2021 is as follows:

Director	Ordinary Shares	Performance Rights
J P Welborn	850,000	-
T M Alder	372,333	1,361,650
S Gallagher	100,000	-
K Abbott	30,000	-
Total	1,352,333	1,361,650

12. SHARE OPTIONS

The Company has no unissued shares under option at the date of this report.

13. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. For the year ended June 2021, the Group engaged with PricewaterhouseCoopers in non-audit services that included Tax & other Corporate advisory services. Refer to Note F.6 in the Financial Statements for summary of fees paid. The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

14. INDEMNIFICATION

Indemnification and insurance of officers

To the extent permitted by law, the Company indemnifies every officer of the Company against any liability incurred by that person:

(a) in his or her capacity as an officer of the Company; and
(b) to a person other than the Company or a related body corporate of the Company

unless the liability arises out of conduct on the part of the officer which involves a lack of good faith.

During the year, the Company paid a premium in respect of a contract insuring all Directors, Officers and employees of the Company (and/or any subsidiary companies of which it holds greater than 50% of the voting shares) against liabilities that may arise from their positions within the Company and its controlled entities, except where the liabilities arise out of conduct involving a lack of good faith. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance contract as disclosure is prohibited under the terms of the contract.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, PricewaterhouseCoopers, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify PricewaterhouseCoopers during or since the financial year.

15. CORPORATE GOVERNANCE STATEMENT

The Board of Orbital Corporation Limited is responsible for corporate governance. The Board has prepared the Corporate Governance Statement in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations, which is available on the Company's website at www.orbitaluav.com under the About Us/Corporate Governance section.

16. ROUNDING OFF

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.

REMUNERATION REPORT - AUDITED

KEY MANAGEMENT PERSONNEL AND SUMMARY OF ORBITAL'S FIVE-YEAR PERFORMANCE

Key management personnel ("KMP")

This Remuneration Report outlines the remuneration in place and outcomes achieved for KMPs during the year ended 30 June 2021.

KMPs are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director, whether executive or otherwise, of the parent company.

The names and positions of the individuals who were KMP during 2021 are set out in Table 1.

Table 1 – KMP

Executive	Non-Executive Directors
Executive Director Todd M Alder (Chief Executive Officer and Managing Director)	John P Welborn (Chairman) Steve Gallagher (Chairman of the Audit & Risk Committee) Kyle Abbott (Member of the Audit & Risk Committee)
Senior Executives Geoff P Cathcart (Chief Technical Officer) David Bonomini (Chief Financial Officer & Company Secretary) Martin Johnston[1] (Chief Operating Officer)	

[1] Mr. Johnston became a KMP on 1 July 2020

Table 2 – Five-year performance

The table below outlines Orbital's performance over the last five years against key metrics.

	2021	2020	2019	2018	2017
Closing share price ($)	**0.83**	**0.75**	0.30	0.36	0.50
Market capitalisation ($m)	**64.46**	**58.2**	23.2	27.9	38.6
Basic EPS (cents) from operations	**(14.74)**	**2.40**	(7.63)	2.87	(15.55)

Short term incentives were paid in 2020 and 2018. No short term incentives were paid in 2021, 2019 and 2017.

REMUNERATION OVERVIEW

The Group's remuneration strategy is designed to attract, motivate and retain employees in a globally competitive market. The Board structures remuneration so that it rewards those who perform, is valued by executives, and is strongly aligned to the Company's strategic direction and the creation of returns to shareholders.

Total Fixed Remuneration ("TFR") is determined by the scope of the executive's role and their level of knowledge, skills and experience.

Executive members of the KMP may receive a short-term incentive ("STI") approved by the Board as reward for exceptional performance in a specific matter of importance. No STI were accounted for during the year ended 30 June 2021 (2020: $194,508).

Long-term incentives ("LTI") consisting of performance rights that vest based on attainment of pre-determined performance goals are awarded to selected executives. During the 2018 financial year, the Group introduced new performance milestones under the Performance Rights Plan as part of its long-term incentive arrangements for the Managing Director and CEO, which were approved by shareholders on 27 October 2017 and 23 May 2018 (2018 LTI Plan).

During the 2021 financial year, the first tranche of 475,675 performance rights vested in full under the 2018 LTI Plan and the remaining 342,213 performance rights expired on 10 August 2020. No rights have vested under the 2020 LTI Plan.

The remuneration of Non-Executive Directors of the Company consists only of Directors' fees. Director fees were not reviewed or adjusted during the 2021 financial year.

Remuneration Report at 2020 AGM

The 2020 Remuneration Report received positive shareholder support at the 2020 AGM with more than 75% of votes cast in favour.

Remuneration strategy

The Group's remuneration strategy is designed to attract, motivate and retain employees and Non-Executive Directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- Are aligned to the Group's business strategy;
- Offer competitive remuneration, benchmarked against the external market;
- Provide strong linkage between individual and Group performance and rewards; and
- Align the interests of executives with shareholders through measuring the Company's market capitalisation or share price.

Key changes to remuneration structure in 2021

There were no changes to the remuneration structure of executives or Directors during the 2021 financial year.

REMUNERATION GOVERNANCE

Board of Directors

The Board reviews and approves remuneration packages and policies applicable to Directors, the Company Secretary and the senior executives of the Group.

Data is obtained from independent surveys to ensure that compensation throughout the Group is set at market rates having regard to experience and performance. In this regard, formal performance appraisals are conducted at least annually for all employees. Compensation packages may include a mix of fixed compensation, performance-based compensation and equity-based compensation.

Remuneration approval process

The Board approves the remuneration arrangements of the CEO and executives and all awards made under the LTI plan. The Board also sets the aggregate remuneration of Non-Executive Directors which is then subject to shareholder approval.

The Board approves, having regard to the recommendations made by the CEO, the STI bonus plan and any discretionary bonus payments.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Directors and executive remuneration is separate and distinct.

Services from remuneration consultants

From 1 July 2011, all proposed remuneration consultancy contracts (within the meaning of section 206K of the *Corporations Act 2001*) are subject to prior approval by the Board or Human Resources.

No consultants were engaged during the year ended 30 June 2021 (2020: nil).

CHIEF EXECUTIVE OFFICER AND EXECUTIVE KMP REMUNERATION

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice. The Group undertakes an annual remuneration review to determine the total remuneration positioning against the market.

Structure

Orbital Corporation's remuneration structure for the CEO and executive KMP is comprised of one component that is fixed, being Total Fixed Remuneration (TFR), and two components that are variable, being short-term incentives (STI) and long-term incentives (LTI).

The STI is an annual "at risk" component of remuneration for executives. It is payable based on performance against key performance indicators (KPIs) set at the beginning of the financial year. STIs are structured to remunerate executives for achieving annual Company targets and their own individual performance targets. The net amount of any STI after allowing for applicable taxation, is payable in cash.

LTI targets are set as a percentage of fixed remuneration, converted to performance rights with vesting conditions subject to the Company's share price performance. Vesting of performance rights is subject to share price targets with the overall value exposed to the upside or downside of the share price movement, therefore closely aligning with shareholder interests.

The proportion of fixed remuneration and variable remuneration (potential short-term and long-term incentives) established for each executive is approved by the Board and for the year ended 30 June 2021 was as follows:

	Fixed Remuneration	Variable Remuneration	
CEO	Fixed Remuneration (50%)	Target STI (20%)	Target LTI (30%)
Other executives	Fixed Remuneration (69%)	Target STI (14%)	Target LTI (17%)

The remuneration structure for the 2021 financial year is explained below:

Summary of executive KMP remuneration for the 2021 financial year

Total Fixed Remuneration ("TFR")

TFR consists of base compensation, which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

Executive contracts of employment do not include any guaranteed base pay increases. TFR is reviewed annually by the Board. The process consists of a review of Company, business division and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

The fixed component of executives' remuneration is detailed in the Statutory Table on page 15.

Variable Annual Reward - Short-term incentive ("STI")

Under the STI, all executives have the opportunity to earn an annual incentive award which is delivered in cash. The STI recognises and rewards annual performance.

How is performance measured?

The STI performance measures were chosen as they reflect the core drivers of short-term performance and provide a framework for delivering sustainable value to the Group, its shareholders and customers. Minimum Group performance targets need to be achieved before STI is eligible.

Key performance indicators ("KPIs") are measured covering financial and non-financial measures of performance. For each KPI, a target and stretch objective is set. A summary of the measures and weightings are set out below:

	Financial	Non-financial
	Revenue	**Group KPIs**
CEO	70%	30%
Other Executives	0%	100%

Revenue is the measure against which management and the Board assess the short-term performance of the Group. If the revenue measure is met, performance against non-financial KPIs are used to determine the STI that the executive is entitled to, as follows:

- Individual performance rating in respect of the quality of work performed in all essential areas of responsibility;
- Individual cultural rating in respect of the extent to which demonstrated behavior aligns with the Values of the Group.

How much can executives earn?

The maximum STI for the Chief Executive Officer is 40 per cent of fixed remuneration. The maximum STI for other executives is 20 per cent of fixed remuneration.

The minimum STI that may be awarded to the Chief Executive Officer and other executives is nil where the Company performance factor is zero.

When is it paid?

The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the Executive Team. The Board approves the final STI award based on this assessment of performance.

Actual STI performance for the year ending 30 June 2021

The following table outlines the proportion of the maximum STI earned in relation to the 2021 financial year. Please refer to Table 1 on page 15 for further details on the actual STI paid to KMPs for the year ended 30 June 2021.

	Maximum STI opportunity (Percentage of fixed remuneration)	Percentage of maximum STI earned
Todd M Alder	40%	0%
Geoff P Cathcart	20%	0%
David Bonomini	20%	0%
Martin Johnston	20%	0%

Long-term incentive ("LTI")

Under the LTI, the grant of performance rights and share acquisition performance rights were made to executives to align remuneration with the creation of shareholder value over the long-term.

How is it paid?

Executives are eligible to receive performance rights and share acquisition performance rights; that is, being the right to receive a given number of ordinary shares in the Group if a nominated performance milestone is achieved.

2018 Performance Rights Plan – Long-term incentives

The Company introduced a Performance Rights Plan ("2018 LTI Plan") which was approved by shareholders on 27 October 2017.

Performance rights were issued to the Managing Director and CEO ("CEO LTIs") and other executives ("Executive LTIs") under the 2018 LTI Plan in two tranches, with each tranche subject to a separate performance milestone linked to the volume weighted average share price ("VWAP") of the Company and tested over a three-year period as follows:

Tranche	Performance condition	Expiry date	Grant date (CEO LTIs)	Grant date (Exec LTIs)	Fair value/right (CEO LTIs)	Fair value/right (Exec LTIs)	Vesting of rights
1	The Company having a 60-day VWAP of at least $0.90 per share between 27 October 2017 and 10 August 2020.	10 August 2020	27 October 2017	23 May 2018	36.5 cents	20.9 cents	50 per cent
2	The Company having a 60-day VWAP of at least $1.20 per share between 27 October 2017 and 10 August 2020.	10 August 2020	27 October 2017	23 May 2018	27.8 cents	13.8 cents	50 per cent

The allocation of performance rights to executives was as follows:

Executive	Title	Performance rights issued Tranche 1	Performance rights issued Tranche 2	Total
Mr T.Alder	Managing Director and CEO	340,000	255,000	595,000
Mr G.Cathcart	Chief Technical Officer	116,284	87,213	203,497
Mr M Johnston	Chief Operating Officer	60,091	0	60,091
Mr D Bonomini	Chief Financial Officer	19,391	0	19,391
Total		**535,766**	**342,213**	**877,979**

During the year, the first tranche of 535,766 performance rights vested in full. The remaining 342,213 performance rights expired on 10 August 2020.

Performance Rights Plan – 2018 Share Acquisition Performance Rights ("2018 SAPR Plan")

On 11 August 2017, the Group announced the appointment of Mr Todd Alder as Managing Director and Chief Executive Officer. The announcement also set out the material terms of his employment which included the grant of two Share Acquisition Performance Rights ("SAPRs") for each share acquired by Mr Alder during the period 11 August 2017 to 31 December 2017.

During the relevant period Mr Alder acquired 372,333 shares in the Group resulting in a maximum entitlement of 647,250 SAPRs. The grant of the performance rights was approved by shareholders at an extraordinary general meeting held on 23 May 2018. The performance rights were issued under the terms of the Performance Rights Plan.

The SAPRs are subject to a share price performance milestone of a 30-day VWAP of $0.62 tested over a three-year period and 100 per cent of the SAPRs will vest if this performance milestone is achieved.

Performance condition	Expiry date	Grant date	Fair value/right	Total number of rights granted
The Company having a 30-day VWAP equal to or greater than $0.62 per share between 11 August 2017 and 10 August 2020.	10 August 2020	23 May 2018	31.6 cents	647,250
Total				**647,250**

The performance rights vested in full during the year.

2020 Performance Rights Plan – Long-term incentives

The Company introduced a new Performance Rights Plan ("2020 LTI Plan") which was approved by shareholders on 24 November 2020.

Performance rights were issued to the Managing Director and CEO ("CEO LTIs") and other executives ("Executive LTIs") and employees under the 2020 LTI Plan in two tranches, with each tranche subject to a separate performance milestone linked to the volume weighted average share price ("VWAP") of the Company and tested over a three-year period as follows:

Tranche	Performance condition	Expiry date	Grant date (CEO LTIs)	Grant date (Exec LTIs)	Fair value/right (CEO LTIs)	Fair value/right (Exec LTIs)	Vesting of rights
1	The Company having a 90-day VWAP of at least $1.50 per share between 01 October 2020 and 30 September 2023.	30 September 2023	04 December 2020	28 October 2020	98 cents	97 cents	50 per cent
2	The Company having a 60-day VWAP of at least $2.50 per share between 01 October 2020 and 30 September 2023.	30 September 2023	04 December 2020	28 October 2020	73 cents	76 cents	50 per cent

The allocation of performance rights to KMPs was as follows:

Executive	Title	Performance rights issued Tranche 1	Performance rights issued Tranche 2	Total
Mr T.Alder	Managing Director and CEO	234,000	140,400	374,400
Mr G.Cathcart	Chief Technical Officer	77,500	46,500	124,000
Mr D.Bonomini	Chief Financial Officer	70,000	42,000	112,000
Mr M.Johnston	Chief Operating Officer	66,749	40,049	106,798
Total		**448,249**	**268,949**	**717,198**

When is performance measured?

Performance rights may vest at any time during the three-year period to 30 September 2023, subject to the abovementioned performance milestones. Performance rights lapse if the employment of the executive is terminated with cause, or by resignation, prior to vesting.

Performance rights may vest prior to the satisfaction of the vesting conditions upon a change of control event, or if the Board allows early exercise on cessation of employment or in light of specific circumstances.

No performance rights vested under the 2020 LTI Plan for the year ended 30 June 2021.

How is performance measured?

Awards are subject to the market capitalisation of the Group. The performance rights link the rewards payable to KMPs to the creation of shareholder value by increasing the share price of the Company. The Company's share price at the date of calling the AGM to approve the CEO LTIs was $1.14 per share. The vesting of performance rights will only occur where the Company's share price increases to $1.50 and $2.50 per share as set out in the abovementioned tables.

Actual LTI performance for the year ending 30 June 2021

During the financial year, 475,675 performance rights vested under the 2018 LTI Plan and 647,250 performance rights vested under the SAPR Plan (2020: nil). No rights vested under the 2020 LTI Plan or for any other earlier plans issued in previous financial years.

OTHER EQUITY PLANS

Orbital has a history of providing employees with the opportunity to participate in ownership of shares in the Company using equity to support a competitive base remuneration position.

Employee Share Plan

Eligible employees are offered shares in the Company, at no cost to the employees, to the value of $1,000 per annum under the terms of the Company's Employee Share Plan. There are no performance conditions, because the plan is designed to align the interests of participating employees with those of shareholders. No Directors or KMPs participated in the share plan in 2021 (2020: Nil).

CONTRACTS FOR KMP

All KMP have a contract for employment. The table below contains a summary of the key contractual provisions of the contracts of employment for the executive KMP.

	Fixed Remuneration	Contract Duration	Termination notice period (Company)[1, 2]	Termination notice period (Executive)
T Alder	$390,000	Unlimited	3 months	3 months
G Cathcart [3]	$290,000	Unlimited	3 months	3 months
D Bonomini	$280,000	Unlimited	3 months	3 months
M Johnston	$290,000	Unlimited	3 months	3 months

[1] Termination provisions – Orbital may choose to terminate the contract immediately by making a payment in lieu of notice equal to the fixed remuneration the executive would have received during the 'Company Notice Period'. In the event of termination for serious misconduct or other nominated circumstances, executives are not entitled to this termination payment. Any payments made in the event of a termination of an executive contract will be consistent with the Corporations Act 2001 (Cth).

[2] On termination of employment, executives will be entitled to the payment of any fixed remuneration calculated up to the termination date and any leave entitlement accrued up to the termination date. Unvested LTI awards are forfeited upon termination for serious misconduct or employee initiated termination and at Board discretion if termination is initiated by the Company.

[3] In the event of the Group terminating the employment of Mr G Cathcart (Chief Technical Officer), other than by reason of serious misconduct or material breach of service agreement, an equivalent of three months salaries is payable, in addition to:
- two weeks' salaries for each completed year of service to ten years of service
- one half of a week of salaries for each year of service beyond ten years of service

NON-EXECUTIVE DIRECTORS REMUNERATION

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed against fees paid to Non-Executive Directors of comparable companies. The Board considers advice from external consultants when undertaking the review process.

The Company's constitution and the ASX listing rules specify that the Non-Executive Directors' fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2001 Annual General Meeting (AGM) held on 25 October 2001 when shareholders approved an aggregate fee pool of $400,000 per year. The Board will not seek any increase for the Non-Executive Director pool at the 2021 AGM.

Fees

Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs.

The Chairman of the Board receives a fee of $120,000 (2020: $120,000) and the Non-Executive Directors receive a base fee of $60,000 (2020: $60,000).

The remuneration of Non-Executive Directors for the year ended 30 June 2021 and 30 June 2020 is detailed in Table 1 of this report on page 15.

The maximum annual aggregate fee pool limit is $400,000 and was approved by shareholders.

OTHER TRANSACTIONS WITH KMP AND THEIR RELATED PARTIES

There were no other transactions with KMPs and their related parties, such as purchases, sales and investments, for the year ended 30 June 2021.

REPORTING NOTES

Reporting in Australian dollars

In this report, the remuneration and benefits reported are in Australian dollars. This is consistent with the functional and presentational currency of the Company.

Statistory tables

Table 1 - Compensation of Non-Executive Directors and executive KMP's for the year ended 30 June 2021 and 2020

		Short Term Benefits				Post-Employment	Long-term Benefits	Share Based Payments	Total	
		Salary & Director's Fees	Cash Bonuses	Non-monetary	Total	Employer Superannuation Contributions	Leave Entitlements	Performance Rights Plan	Total Remuneration	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
Non-executive Directors										
J Welborn	**2021**	**109,589**	-	-	**109,589**	**10,411**	-	-	**120,000**	-
Chairman and Director (Non-executive)	2020	109,589	-	-	109,589	10,411	-	-	120,000	-
T Stinson (1)	**2021**	-	-	-	-	-	-	-	-	-
Director (Non-executive)	2020	21,781	-	-	21,781	2,681	-	-	24,462	-
S Gallagher	**2021**	**60,000**	-	-	**60,000**	-	-	-	**60,000**	-
Director (Non-executive)	2020	60,000	-	-	60,000	-	-	-	60,000	-
K Abbott	**2021**	**60,000**	-	-	**60,000**	-	-	-	**60,000**	-
Director (Non-executive)	2020	60,000	-	-	60,000	-	-	-	60,000	-
Total Consolidated, all non-executive directors	**2021**	**229,589**	-	-	**229,589**	**10,411**	-	-	**240,000**	-
	2020	251,370	-	-	251,370	13,092	-	-	300,000	-
Executive Director										
T Alder	**2021**	**366,958**	-	-	**366,958**	**21,694**	**12,382**	**84,356**	**475,442**	**16%**
Managing Director and Chief Executive Officer	2020	319,034	136,000	-	455,034	21,003	12,642	133,539	622,218	43%
Executive Key Management Personnel										
G Cathcart (2)	**2021**	**277,675**	-	**58,692**	**336,367**	**29,455**	**22,026**	**26,765**	**408,799**	**5%**
Chief Technical Officer	2020	292,992	44,988	-	337,980	33,316	30,038	16,420	417,754	15%
R Jones (3)	**2021**	-	-	-	-	-	-	-	-	-
Chief Financial Officer	2020	239,765	-	-	239,765	21,403	-	12,355	273,523	5%
D Bonomini (4)	**2021**	**258,306**	-	-	**258,306**	**21,694**	**7,875**	**23,064**	**306,798**	**6%**
Chief Financial Officer	2020	99,614	13,520	-	113,134	8,078	10,117	-	131,329	-
M Johnston (5)	**2021**	**250,813**	-	-	**250,813**	**21,694**	**13,111**	**21,993**	**303,663**	**6%**
Chief Operating Officer	2020	-	-	-	-	-	-	-	-	-
Total Consolidated, Executive Key Management Personnel	**2021**	**1,153,752**	-	**58,692**	**1,212,444**	**94,537**	**55,394**	**156,178**	**1,494,702**	**9%**
	2020	951,405	194,508	-	1,145,913	83,800	52,797	162,314	1,444,824	25%

1. Mr. Stinson retired as Non-Executive Director effective 18 November 2019.
2. Mr. Cathcart was seconded to the USA facility during the financial year ended June 2020 and 2021. Non-monetary benefits arose from the secondment.
3. Ms. Jones ceased as a KMP on 28 February 2020
4. Mr. Bonomini became a KMP on 10 February 2020
5. Mr. Johnston became a KMP on 01 July 2020

Table 2 – Summary of CEO and Executive

	Type of equity	Grant date	Expiry date	Awarded but not vested	Vested	% of total vested	Lapsed	Fair value of equity ($) 1
T Alder Director and Chief Executive Officer	Equity rights	23 May 2018	10 August 2020	647,250	647,250	100%	-	0.316
	Equity rights	27 October 2017	10 August 2020	340,000	340,000	100%	-	0.365
	Equity rights	27 October 2017	10 August 2020	255,000	-		255,000	0.278
G Cathcart Chief Technical Officer	Equity rights	23 May 2018	10 August 2020	116,284	116,284	100%	-	0.209
	Equity rights	23 May 2018	10 August 2020	87,213	-	-	87,213	0.138
D Bonomini Chief Financial Officer	Equity rights	23 May 2018	10 August 2020	19,391	19,391	100%	-	0.209
	Equity rights	23 May 2018	10 August 2020	-	-	-	-	0.138
M Johnston Chief Operating Officer	Equity rights	23 May 2018	10 August 2020	60,091	60,091	100%	-	0.209
	Equity rights	23 May 2018	10 August 2020	-	-	-	-	0.138
T Alder Director and Chief Executive Officer	Equity rights	04 December 2020	30 September 2023	234,000	-	-	-	0.808
	Equity rights	04 December 2020	30 September 2023	140,400	-	-	-	0.538
G Cathcart Chief Technical Officer	Equity rights	28 October 2020	30 September 2023	77,500	-	-	-	0.841
	Equity rights	28 October 2020	30 September 2023	46,500	-	-	-	0.614
D Bonomini Chief Financial Officer	Equity rights	28 October 2020	30 September 2023	70,000	-	-	-	0.841
	Equity rights	28 October 2020	30 September 2023	42,000	-	-	-	0.614
M Johnston Chief Operating Officer	Equity rights	28 October 2020	30 September 2023	66,749	-	-	-	0.841
	Equity rights	28 October 2020	30 September 2023	40,049	-	-	-	0.614

1. In accordance with AASB2 Share-based Payments, the fair value of variable pay rights as at the grant date has been determined by applying the Monte Carlo | trinomial valuation model. For the assumptions used in the valuation of the rights, please refer to note F.2. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest

Table 3 – KMP share and equity holdings

Details of shares and rights help by KMP including their personally related entities for the 2020 financial year are as follows:

	Type of equity (1)	Opening holding at 1 July 2020	Rights allocated in 2021	Rights vested in 2021	Net Changes other	Closing holding at 30 June 2021 (2)
Non-executive Directors						
J Welborn	Shares	850,000	-	-	-	850,000
S Gallagher	Shares	100,000	-	-	-	100,000
K Abbott	Shares	30,000	-	-	-	30,000
Executive Directors						
T Alder	Equity Rights	1,242,250	374,400	987,250	(255,000)	1,361,650
	Shares	372,333	-	-	-	372,333
Executives						
G Cathcart	Equity Rights	203,497	124,000	116,284	(87,213)	240,284
	Shares	272,720	-	-	-	272,720
D Bonomini	Equity Rights	-	112,000	19,391	-	131,391
	Shares	-	-	-	-	-
M Johnston	Equity Rights	-	106,798	60,091	-	166,889
	Shares	-	-	-	-	-

1. Opening holding represents amounts carried forward in respect of KMP

2. Closing equity rights holdings represent unvested rights held at the end of the reporting period. There were 1,183,016 rights vested but unexercised as at 30 June 2021

End of Remuneration Report

Signed in accordance with a resolution of the Directors:

J P Welborn	T M Alder
Chairman	Managing Director and Chief Executive Officer

Dated at Perth, Western Australia this 27 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Orbital Corporation Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Orbital Corporation Limited and the entities it controlled during the period.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
27 August 2021

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FINANCIAL STATEMENTS CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 $'000	2020 $'000
Continuing operations			
Sale of goods		**25,994**	31,989
Engineering services revenue		**5,054**	1,617
Royalty and licence revenue		**150**	176
Interest revenue		**4**	41
Total revenue	A.2	**31,202**	33,823
Other income	A.3	**537**	5,079
Materials and consumables expenses	A.4(d)	**(14,837)**	(13,914)
Employee benefits expenses	A.4(a)	**(11,797)**	(14,370)
Depreciation expenses		**(1,576)**	(1,633)
Amortisation of intangibles	B.2	**(303)**	(247)
Engineering consumables and contractor expenses		**(725)**	(781)
Occupancy expenses		**(723)**	(532)
Travel and accommodation expenses		**(227)**	(449)
Communications and computing expenses		**(1,074)**	(1,018)
Patent expenses		**(414)**	(414)
Insurance expenses		**(1,251)**	(1,003)
Audit, compliance and listing expenses		**(473)**	(249)
Finance costs	A.4(b)	**(1,508)**	(622)
Reversal of allowance for impairment of other receivables		**335**	206
Asset impairment expenses	B.1, C.7	**(2,514)**	-
Warranty expenses	E.1	**(2,083)**	216
Other expenses	A.4(c)	**(1,972)**	(2,089)
Foreign exchange loss		**(1,034)**	(28)
Profit/(loss) before income tax from continuing operations		**(10,437)**	1,975
Income tax (expense)/benefit	A.5	**(1,008)**	(118)
Profit/(loss) for the year from continuing operations		**(11,445)**	1,857
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**464**	3
Total comprehensive profit/(loss) for the year		**(10,981)**	1,860
Attributable to:			
Equity holders of the parent		**(10,981)**	1,860
Total comprehensive profit/(loss) for the year		**(10,981)**	1,860
Earnings per share			
Basic profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	A.6	**(14.74)**	2.40
Diluted profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	A.6	**(14.74)**	2.35
Earnings per share from continuing operations			
Basic profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	A.6	**(14.74)**	2.40
Diluted profit/(loss) for the year attributable to ordinary equity holders of the parent (cents)	A.6	**(14.74)**	2.35

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

ASSETS	Notes	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	C.3	**3,116**	8,749
Other financial assets	C.4	**585**	585
Trade and other receivables	C.2	**4,004**	5,347
Inventories	C.1	**12,767**	9,380
Prepayments		**245**	375
Finance lease receivable		**334**	332
Total current assets		**21,051**	24,768
Non-current assets			
Intangibles	B.2	**1,981**	898
Deferred taxation asset	A.5	**4,070**	5,423
Plant and equipment	B.1	**1,647**	4,150
Right-of-use asset	C.7	**857**	2,062
Finance lease receivable		**180**	542
Total non-current assets		**8,735**	13,075
Total assets		**29,786**	37,843
LIABILITIES			
Current liabilities			
Trade payables and other liabilities	C.5	**1,742**	4,482
Deferred revenue	C.6	**4,285**	1,321
Borrowings	D.1	**9,986**	3,756
Lease liabilities	C.7	**982**	1,131
Provisions	E.1	**4,530**	2,227
Total current liabilities		**21,525**	12,917
Non-current liabilities			
Lease liabilities	C.7	**847**	1,898
Borrowings	D.1	**-**	4,854
Provisions	E.1	**72**	72
Total non-current liabilities		**919**	6,824
Total liabilities		**22,444**	19,741
Net assets		**7,342**	18,102
Equity			
Share capital	D.2	**31,265**	31,220
Reserves	D.3	**3,035**	2,395
Accumulated losses		**(26,958)**	(15,513)
Total equity		**7,342**	18,102

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	(Accumulated losses)	Employee equity benefits reserve	Foreign currency translation reserve	Total equity
Notes	**D.2**		**D.3**	**D.3**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2020	**31,220**	**(15,513)**	**2,424**	**(29)**	**18,102**
Loss for the year	**-**	**(11,445)**	**-**	**-**	**(11,445)**
Foreign currency translation	**-**	**-**	**-**	**464**	**464**
Total comprehensive profit for the year	**-**	**(11,445)**	**-**	**464**	**(10,981)**
Share based payments	**45**	**-**	**176**	**-**	**221**
At 30 June 2021	**31,265**	**(26,958)**	**2,600**	**435**	**7,342**
At 1 July 2019	31,178	(17,370)	2,203	(32)	15,979
Profit for the year	-	1,857	-	-	1,857
Foreign currency translation	-	-	-	3	3
Total comprehensive loss for the year	-	1,857	-	3	1,860
Share based payments	42	-	221	-	263
At 30 June 2020	31,220	(15,513)	2,424	(29)	18,102

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	**2021 $'000**	2020 $'000
Cash flows from operating activities			
Cash receipts from customers		**32,991**	34,257
Cash paid to suppliers and employees		**(34,498)**	(33,763)
Proceeds from legal settlement		**-**	3,255
Interest received		**4**	41
Interest paid		**(187)**	(64)
Net cash (used in)/from operating activities	C.3	**(1,690)**	3,726
Cash flows from investing activities			
Proceeds from sale of subsidiary		**-**	200
Purchase of plant and equipment		**(735)**	(540)
Payments for intangible asset		**(1,386)**	(221)
Net cash used in investing activities		**(2,121)**	(561)
Cash flows from financing activities			
Principal elements of lease payments		**(1,070)**	(1,201)
Proceeds from borrowings		**-**	2,276
Repayment of borrowings		**-**	(2,395)
Net cash used in financing activities		**(1,070)**	(1,320)
Net increase/(decrease) in cash and cash equivalents		**(4,881)**	1,845
Cash and cash equivalents at 1 July		**8,749**	7,487
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		**(752)**	(583)
Cash and cash equivalents at 30 June	C.3	**3,116**	8,749

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

About these statements
Orbital Corporation Ltd ("Orbital" or the "Group") is a for-profit company limited by shares, incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Stock Exchange ("ASX"). The registered office is 4 Whipple Street, Balcatta, Western Australia.

The nature of the operations and principal activities of the Group are described in the Directors Report and in the segment information in Note A.1.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 27 August 2021.The Directors have the power to amend and reissue the financial report.

Statement of compliance
The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Group has not early adopted any standards, interpretations or amendments that have been issued but not yet effective. The adoption of these standards, interpretations or amendments has not significantly affected the Group's accounting policies, financial position or performance.

Currency
The financial statements are presented in Australian dollars, which is the functional currency of the Company. Transactions are recorded in the functional currency of the transacting entity using the spot rate. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions.

The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Rounding of amounts
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.

Basis of preparation
The consolidated financial statements have been prepared on the historical cost basis.

The financial statements comprise the financial results of the Group and its subsidiaries as at 30 June each year. Subsidiaries are fully consolidated from the date of which control is obtained by the Group and cease to be consolidated from the date at which the Group ceases to have control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

Profit or loss and other comprehensive income are attributed to the equity holders of the parent of the Group, and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Comparative information has been reclassified where required for consistency with the current year's presentation.

Other accounting policies
Significant and other accounting policies that summarise the measurement basis used and are relevant to understanding the financial statements are provided throughout the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

A. CURRENT YEAR PERFORMANCE

Financial and capital risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management strategy, policy and key risk parameters. The Board of Directors has oversight of the Group's internal control system and risk management process. The Group's management of financial and capital risks is aimed at ensuring that available capital, funding and cash flows are sufficient to meet the Group's financial commitments as and when they fall due and maintain the capacity to fund its committed project developments. During 2021 the Group's strategy remained unchanged from 2020, the gearing ratio at 30 June 2021 was 136% (2020: 48%). Gearing ratio's are calculated by dividing net debt (as per note D.1) divided by total equity.

The below risks arise in the normal course of the Group's business. Risk information can be found in the following sections:

Section A	Foreign currency risk	Page 26
Section C	Liquidity risk	Page 37
Section C	Interest Rate risk	Page 38
Section C	Credit risk	Page 38
Section D	Capital risk management	Page 42

Key estimates and judgements

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experiences and other factors, including expectations of future events that may have an impact on the Group. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are found in the following notes:

Note	Key estimate/ judgement	Page
A.5	Recoverability of deferred tax assets	32
B.1	Impairment of non-current assets	35

Impact of COVID-19

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

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

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

Distribution of our products continued through our established logistics providers.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes the Group will continue its operations and be able to meet its obligations as and when they become due and payable. This assumption is based on the Group's ability to meet its future cash flow requirements given the cash flow projection for the 30 June 2022 financial year, and existing cash reserves held as at 30 June 2021.

The Directors assessed how the current events and conditions impact its operations and while the long-term strategy of the Group remains unchanged, regular forecasting is performed on future expected cashflows. The Group has critically assessed cash flow forecasts for the 12 months from the date of this report based on expected sales and related costs.
Furthermore, the Directors have also taken the following matters into consideration in forming the view that the Group is a going concern:

- The Group has cash and trade receivables of $7.7 million as at 30 June 2021;
- The Group issued a revenue guidance for FY22
- Forecast sales are expected to remain over $30.0 million for FY22 and continue to increase in FY23 due to diversified customer base
- Profitability is expected to be achieved and sufficient EBITDA to fund operating expenses and financing obligations over FY22 will be generated
- The WA government loan contract was renegotiated to defer the repayments over the next 4 years. The Company also has the option to offset the repayment amounts if it can achieve the determined operational milestones in certain circumstances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

A. CURRENT YEAR PERFORMANCE

In this section

This section addresses financial performance of the Group for the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made. The section also includes the tax position of the Group for and at the end of the reporting period.

A. Current Year Performance

Financial risks in this section

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 targeted exchange rates. The Group has foreign currency hedging facilities available as part of its bank facilities. Currently the Group does not directly hedge against its foreign currency exchange risk to a material extent.

Exposure

The Group's exposure to USD at the reporting date for the years ended 30 June 2021 and 2020 are as follows:

	2021 A$'000	2020 A$'000
Financial assets		
Cash and cash equivalents	**2,531**	7,101
Trade and other receivables	**2,858**	4,063
Financial liabilities		
Trade and other payables	**192**	992

For the year ended 30 June 2021, revenue from external customers denominated in USD was A$27,160,000 (2020: A$29,102,000).

Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. There is no impact on changes in foreign currencies on other comprehensive income. The Group's exposure to foreign currency changes for all other currencies is not material.

The Group has used the observed range of actual historical rates for the preceding five year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements as part of their sensitivity analysis. Past movements in exchange rates are not necessarily indicative of future movements.

	Change in AUD/USD rate	Increase / (Reduction) on profit before taxes
2021	**+10%**	**(472)**
	-10%	**577**
2020	+10%	(925)
	-10%	1,130

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

A. CURRENT YEAR PERFORMANCE

A.1 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.

The geographical location of the segment assets is based on the physical location of the assets.

Segment information
Year ended 30 June 2021

	Australia		US		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue	**26,905**	28,228	**4,297**	5,595	**31,202**	33,823
EBIT	**(437)**	2,854	**(8,493)**	(257)	**(8,930)**	2,597
Finance expenses	**(1,468)**	(555)	**(39)**	(67)	**(1,508)**	(622)
(Loss)/profit before income tax	**(1,905)**	2,299	**(8,532)**	(324)	**(10,437)**	1,975

	Australia		US		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Assets	**25,129**	30,140	**4,657**	7,703	**29,786**	37,843
Liabilities	**19,362**	17,999	**3,082**	1,742	**22,444**	19,741
Net assets	**5,767**	12,141	**1,575**	5,961	**7,342**	18,102

A.2 Revenue

	Australia		US		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**26,905**	28,228	**4,297**	5,595	**31,202**	33,823
Total external revenue	**26,905**	28,228	**4,297**	5,595	**31,202**	33,823
Timing of revenue recognition						
At a point in time	**21,851**	27,017	**4,297**	5,189	**26,148**	32,206
Over time	**5,054**	1,211	**-**	406	**5,054**	1,617
	26,905	28,228	**4,297**	5,595	**31,202**	33,823

Revenues of approximately $26,462,000 (2020: $29,160,000) are derived from a single external customer.

Recognition and measurement
Revenue is recognised in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The specific recognition criteria described below must also be met before revenue is recognised:

A. CURRENT YEAR PERFORMANCE

A.2 Revenue (continued)

· Revenue from rendering of services
The Group's general terms and conditions with customers specify a right to payment for work completed, therefore performance obligations are satisfied over time. Using the output method for revenue recognition, the Group recognises revenue based on an appraisal of results achieved or percentage complete.

· Sale of goods
Revenue from the sale of goods is recognised on a per-unit basis as the goods are delivered to the customer premise which is deemed to be the time when the performance obligation is performed. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

· License and royalties
Revenue earned under licencing and royalty arrangements is recognised on a cash basis upon the delivery of an engine meeting specified performance targets and using the patented technologies of the Group.

Under the terms of the licence and royalty agreements, licensees are not specifically obliged to commence production and sale of engines using technology patented by the Group. Licensees may terminate the agreements upon notice to the Group. If a licensee were to terminate its agreement with the Group, the licensee would forfeit the licence and any technical disclosure fees paid through to

· Interest revenue
Interest revenue is recorded using the effective interest rate method ("EIR"). The EIR is the rate that exactly discounts the estimated cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Assets and liabilities related to contracts with customers
The Group has recognised the following assets and liabilities related to contracts with customers:

	2021	2020
	$'000	$'000
Contract Assets		
Accrued revenue	**844**	70
Contract Liabilities		
Deferred revenue	**4,285**	1,321

Refer to Note C.6 deferred revenue for a breakdown of deferred revenue recognised in the current year.

A. CURRENT YEAR PERFORMANCE

A.3 Other income

	2021 $'000	2020 $'000
Grant income	**100**	75
Rental income	**111**	71
Research and development grant	**89**	437
Legal settlement proceeds	**-**	4,470
Other	**237**	54
	537	5,107

Recognition and measurement

· Grant income

Temporary cash flow boosts were provided by the government to support small and medium businesses and not-for-profit organisations during the economic downturn associated with COVID-19. Eligible businesses who employ staff received between $20,000 to $100,000 in cash flow boost amounts by lodging their activity statements up to the month or quarter of September 2020. During third quarter of FY21, the Company received $100,000 in cash flow boost amounts from the government.

· Research and development grant

In accordance with research and development tax legislation the Group is entitled to a refundable R&D tax offset accounted for as research and development grant. Government grants are recognised when it is probable that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is recognised as a reduction in the related asset. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

· Legal settlement proceeds

On 26 February 2020 Orbital entered into a Settlement and Patent License Agreement ("Agreement") with Daimler AG, Mercedes-Benz USA LLC, Mercedes-Benz U.S. International, Inc. (collectively "Mercedes"), Robert Bosch GmbH and Robert Bosch LLC (collectively "Bosch") in settlement of the patent litigation brought by Orbital against Mercedes and Bosch in the United States District Court Eastern District of Michigan Southern Division Case Number 15-12398 (see ASX announcement 1 December 2014).

Under the Agreement:
(a) the Parties filed a stipulation of dismissal regarding all claims and counterclaims in the litigation, without making any admissions or concessions concerning the factual or legal positions taken in the litigation; and
(b) Orbital granted Mercedes/Bosch a non-exclusive patent license and release in exchange for the payment to Orbital Fluid Technologies Inc.

Amounts paid to Orbital Fluid Technologies Inc. were allocated in accordance with the protocols specified in the revenue sharing agreements that Orbital had with its various partners in this litigation, including US law firm Pepper Hamilton.

· Other income

The other income in current year represents non-recurring IP sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

A. CURRENT YEAR PERFORMANCE

A.4 Expenses

(a) Employee benefits expense

	2021	2020
	$'000	$'000
Salaries and wages	**9,105**	12,083
Defined contribution plans	**1,049**	889
Share based payments (Note F.3)	**241**	245
Annual and long service leave (Note E.1)	**255**	164
Other personnel costs	**1,147**	989
	11,797	14,370

(b) Finance costs

	2021	2020
	$'000	$'000
Interest expense	**890**	622
Loan modification loss	**618**	-
	1,508	622

(c) Other expenses

	2021	2020
	$'000	$'000
Administration	**715**	649
Legal fees - settlement proceeds	**-**	1,214
Marketing and investor relations	**99**	148
Corporate consulting services	**1,060**	-
Other	**98**	78
	1,972	2,089

The Group incurred legal fees in the Settlement and Patent License Agreement (“Agreement”) with Daimler AG, Mercedes-Benz USA LLC, Mercedes-Benz U.S. International, Inc. (collectively “Mercedes”), Robert Bosch GmbH and Robert Bosch LLC (collectively “Bosch”) in settlement of the patent litigation brought by Orbital against Mercedes and Bosch in the United States District Court Eastern District of Michigan Southern Division Case Number 15-12398 (see ASX announcement 1 December 2014). Refer note A.3 for further detail.

(d) Materials and consumable expenses

	2021	2020
	$'000	$'000
Raw materials and consumables	**18,224**	16,596
Change in inventories	**(3,387)**	(2,682)
	14,837	13,914

Recognition and measurement

· Defined contribution plans

Obligations for contributions to defined contribution superannuation funds are recognised as an expense as incurred.

The Group contributes to defined contribution plans for the provision of benefits to Australian employees on retirement, death or disability. Employee and employer contributions are calculated on percentages of gross salaries and wages. Apart from contributions required under law, there is no legally enforceable right for the Group to contribute to a superannuation plan.

A. CURRENT YEAR PERFORMANCE

A.5 Taxes

The major components of the income tax benefit/(expense) for the years ended 30 June 2021 and 2020 are:

	2021 $'000	2020 $'000
Deferred income tax expense	**(2,106)**	(118)
Adjustments in respect of prior years	**1,098**	-
Total income tax benefit/(expense)	**(1,008)**	(118)

The reconciliation of the income tax benefits/(expenses) and accounting profit multiplied by the Australian domestic tax rate for the years ended 30 June 2021 and 2020 are:

	2021 $'000	2020 $'000
Accounting (loss)/profit before tax from continuing operations	**(10,437)**	1,975
Accounting (loss)/profit before income tax	**(10,437)**	1,975
At Australia's statutory income tax rate of 26.0% (2020: 27.5%)	**2,714**	(545)
Adjustments in respect of the change in statutory income tax rate	**(77)**	-
Difference in overseas tax rates	**(427)**	(185)
Non assessable income	**49**	120
Recognition of previously unrecognised tax losses	**-**	1,398
Adjustments in respect of prior years	**1,098**	
Deferred tax asset not recognised	**(3,943)**	(601)
Other	**(1)**	-
Non-deductible expenses	**(421)**	(305)
Income tax expense	**(1,008)**	(118)
Income tax expense reported in the statement of profit or loss	**(1,008)**	(118)

Deferred tax balances comprise of the following deferred tax assets/(deferred tax liabilities):

	2021 $'000	2020 $'000
Inventory	**31**	44
Revenue received in advance	**925**	-
Plant and equipment	**(35)**	(170)
Provisions and accruals	**1,336**	652
Intangible asset	**(427)**	(247)
ROU leasing assets	**(347)**	-
ROU leasing liabilities	**361**	-
Foreign exchange gains/losses	**580**	-
Other	**235**	-
Tax losses	**1,409**	5,144
Net deferred tax asset	**4,070**	5,423

The Group has unused tax losses that arose in Australia, for which no deferred tax assets have been recognised of $33,040,509 (2020: $$39,532,875) and are available indefinitely for offsetting against future taxable profits of the Group and its controlled entities in which those losses arose. Since 2019, tax loss testing has been undertaken in relation to Australian carried forward tax losses, and that testing determined that approximately $8,590,532 of previously carried forward losses have a high probably of failing the relevant tests. We have therefore conservatively reflected a reduction in the carried forward amount of losses. As those losses were not previously recognised in the deferred tax asset balance, no tax expense adjustments arise.

Under the tax laws of the United States of America, unused tax losses that cannot be fully utilised for tax purposes during the current period may be carried forward into future periods, subject to statutory limitations. At 30 June 2021, the Group had unused tax losses for which no deferred tax assets have been recognised of US$18,361,000 (2020: US$12,331,000) of which US$9,518,000 will expire by 2023.

Recognition and measurement

· **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the Group operates and generates taxable income.

· **Deferred tax**

Deferred tax is provided for using the full liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

A.5 Taxes (continued)

· **Deferred tax**

Deferred tax liabilities are recognised for all taxable temporary differences, except:

• When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

• In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and unused tax losses may be utilised, except:

• When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss

• In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences may be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available or allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Key estimate: Recoverability of deferred tax assets

At 30 June 2021, the Group recognised $4,070,000 (2020: $5,423,000) of deferred tax assets after assessing the likelihood of offsetting unused tax losses against future taxable profits. The unused tax losses for which a deferred tax asset is recognised relate to operations in Australia.

The Board assessed that the deferred tax asset was recoverable based on forecast taxable income included in the Business Plan. Forecasted income included in Orbital's Business Plan is founded on existing supply contracts plus maturing contract negotiations on expanded revenue opportunities.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that the Group intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

Orbital Corporation Limited and its 100 per cent owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2002. Orbital Corporation Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts were recognised in the financial statements in respect of this agreement on the basis that the probability of default was assessed as remote.

Orbital Corporation Limited and its controlled entities continue to account for their own current and deferred tax amounts. The Group has applied the 'separate taxpayer within Group' approach by reference to the carrying amount in the separate financial statements of each entity and the tax values applying under tax consolidation. In addition to its own current and deferred tax amounts, Orbital Corporation Limited also recognised current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed from its controlled entities in the tax consolidated group.

A. CURRENT YEAR PERFORMANCE

A.6 Earnings per share (EPS)

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:

	2021	2020
	$'000	$'000
Loss/(profit) attributable to ordinary equity holders of the Parent:		
Continuing operations	**(11,445)**	1,857
Discontinued operations	**-**	-
Loss/(profit) attributable to equity holders of the Parent for basic earnings	**(11,445)**	1,857

	2021	2020
	Number	Number
Weighted average number of ordinary shares for basic EPS	**77,626,071**	77,524,513
Weighted average number of ordinary shares adjusted for the effect of dilution	**77,626,071**	79,082,042

Earnings per share

	Cents	Cents
Basic (loss)/profit earnings per share	**(14.74)**	2.40
Diluted (loss)/profit earnings per share	**(14.74)**	2.35

Earnings per share from continuing operations

	Cents	Cents
Basic (loss)/profit earnings per share	**(14.74)**	2.40
Diluted (loss)/profit earnings per share	**(14.74)**	2.35

Performance rights granted to key management personnel were deemed potential ordinary shares. Refer to Notes 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:

	2021
	Number
Performance rights	2,230,420
Total	**2,230,420**

B. GROWTH ASSETS

In this section

This section addresses the strategic growth and assets position of the Group at the end of the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made.

B.1 Plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
Gross carrying amount at cost			
At 1 July 2019	18,394	2,550	20,944
Additions	475	65	540
Disposals	(408)	(20)	(428)
At 30 June 2020	18,461	2,595	21,056
Additions	**504**	**174**	**678**
Disposals	**(5,664)**	**(187)**	**(5,851)**
At 30 June 2021	**13,301**	**2,582**	**15,883**
Depreciation and impairment			
At 1 July 2019	(16,103)	(325)	(16,428)
Depreciation charge	(623)	(282)	(905)
Disposals	408	19	427
At 30 June 2020	(16,318)	(588)	(16,906)
Depreciation	**(607)**	**(260)**	**(867)**
Impairment	**(651)**	**(1,475)**	**(2,126)**
Disposals	**5,664**	**(1)**	**5,663**
At 30 June 2021	**(11,912)**	**(2,324)**	**(14,236)**
Net book value			
At 30 June 2021	**1,389**	**258**	**1,647**
At 30 June 2020	2,143	2,007	4,150

Plant and equipment was pledged as security under the Acknowledgement of Debt entered into with the Department of Jobs, tourism, Science and Innovation and is subject to floating charges. Refer to Note C.7 for lease disclosure and Note D.1 for further details.

Recognition and measurement

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates those parts separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are expensed as incurred to occupancy expenses in the statement of profit or loss and other comprehensive income. An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the assets, is included in other income or other expenses in the statement of profit or loss and other comprehensive income when the asset is derecognised.

B.1 Plant and equipment (continued)

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the recoverable amount of the asset or cash generating unit ("CGU"). The recoverable amount of the asset or the CGU is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposals, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Key estimate - Impairment of non-current assets

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. The budgets and forecast calculations cover a period of three years, or the contract period.

For the year ended 30 June 2021, a strategic decision was made to cease production in the US and transition it to Australia. As a result, the CGUs located in the US became idle and not expected to generate any future cash flow in the short term, the US assets were written down to nil value.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life as follows:

Plant and equipment: 3 to 15 years
Leasehold improvements: 3 to 15 years

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year-end and adjusted prospectively, as appropriate.

B. GROWTH ASSETS

B.2 Intangible assets

Consolidated	Model 2019 Development $'000	Model 2021 Development $'000	Total $'000
Year ended 30 June 2021			
Cost	2,611	1,386	3,997
Accumulated amortisation and impairment	(595)	-	(595)
R&D tax offset recognised	(1,421)	-	(1,421)
Net carrying amount	**595**	**1,386**	**1,981**
Movement			
Net carrying amount at the beginning of the year	898	-	898
Additions	-	1,386	1,386
Amortisation for the year	(303)	-	(303)
Net carrying amount at the end of the year	**595**	**1,386**	**1,981**
Year ended 30 June 2020			
Cost	2,611	-	2,611
Accumulated amortisation and impairment	(292)	-	(292)
R&D tax offset recognised	(1,421)	-	(1,421)
Net carrying amount	**898**	**-**	**898**
Movement			
Net carrying amount at the beginning of the year	924	-	924
Additions	221	-	221
Amortisation for the year	(247)	-	(247)
Net carrying amount at the end of the year	**898**	**-**	**898**

The intangible assets comprise of capitalised development costs for the advancement of the modular propulsion systems. The intangible asset will be amortised using the straight-line method over a finite period of five years.

Recognition and measurement
Intangible assets are measured on initial recognition at cost. Following initial recognition; intangible assets are carried at cost less amortisation, any impairment losses and research and development tax grants received. Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method is reviewed at each financial year end.

Intangible asset	Useful life
Internally generated intangible	Finite (up to five years)

Research and development
Research costs are expensed as incurred. Development expenditures on individual projects are recognised as an intangible asset when the Group can demonstrate:
• the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
• its intention to complete and its ability and intention to use or sell the asset
• how the asset will generate future economic developments
• the availability of resources to complete the asset
• the ability to measure reliably the expenditure incurred during the development of the asset

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

C. WORKING CAPITAL MANAGEMENT

In this section

This section addresses inventories, trade and other receivables, cash, other financial assets and trade and other payables of the Group at the end of the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made.

Financial and capital risks in this section

Liquidity risk management

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay financial liabilities as and when they fall due. The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost effective manner.

The Group's liquidity position is managed by the Board of Directors who regularly review cash-flow forecasts prepared by management, which includes the Group's short and long-term obligations, cash position and forecast liability position to maintain appropriate liquidity levels. At 30 June 2021, the Group has a total of $3,116,000 of cash at its disposal (2020: $8,749,000) and a net current asset position -$474,000 (2020: $11,851,000). The remaining contractual maturities of the Group's financial liabilities are:

	Less than 3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total contractual cashflows $'000	Carrying amount (assets)/liabilities $'000
At 30 June 2021						
Borrowings [1]	**9,986**	**-**	**-**	**-**	**9,986**	**9,986**
Trade payables and other liabilities	**1,742**	**-**	**-**	**-**	**1,742**	**1,742**
Lease liabilities	**297**	**893**	**775**	**-**	**1,966**	**1,829**
	12,025	**893**	**775**	**-**	**13,694**	**13,557**
At 30 June 2020						
Borrowings	-	3,756	6,230	-	9,986	8,610
Trade payables and other liabilities	4,482	-	-	-	4,482	4,482
Lease liabilities	262	1,091	2,048	-	3,401	3,029
	4,744	4,847	8,278	-	17,869	16,121

[1] Refer to Note D.1 and F.7 for details.

C. WORKING CAPITAL MANAGEMENT

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 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. The exposure to interest rate risk as at 30 June 2021 is as follows:

	2021	2020
	$'000	$'000
Cash and cash equivalents (Note C.3)	**3,116**	8,749
Short-term deposits (Note C.4)	**585**	585
	3,701	9,334

A reasonable possible change in the interest rate (+0.5%/-0.5%) (2020: +0.5%/-0.5%)), with all variables held constant, would have resulted in a change in post tax profit/(loss) of $16,000/($16,000) (2020: $44,000)/($44,000) and no impact to other comprehensive income.

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 (as outlined in each applicable note). The significant concentration of credit risk within the Group relate to receivable balances from the Group's major customer.

The maximum exposure to credit risk for the components of the statement of financial position at 30 June 2021 and 2020 is the carrying amounts as illustrated in Note C.2.

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.

C.1 Inventories

	2021	2020
	$'000	$'000
Raw materials	**11,741**	7,965
Provision for obsolescence	**(123)**	(159)
Work in progress	**990**	1,574
Finished goods	**159**	-
	12,767	9,380

Recognition and measurement

Inventories are carried at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Raw materials**: weighted average cost
- **Finished goods and work in progress**: weighted average cost of direct materials and direct manufacturing labour and a proportion of manufacturing overhead costs

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

C. WORKING CAPITAL MANAGEMENT

C.2 Trade and other receivables

	2021	2020
	$'000	$'000
Trade receivables	**3,100**	5,307
Other receivables	**909**	1,183
Accrued revenue	**844**	70
Allowance for Impairment of other receivables (a)	**(849)**	(1,213)
	4,004	5,347

(a) At 30 June 2021, the Group has $849,000 (2020:$1,213,000) as a provision for impaired receivables. This amount represents receivable from Avidsys Pty Ltd as consideration for the disposal of REMSAFE Pty Ltd on 18 December 2017.

See the "Credit risk management" section on credit risk of trade receivables, which explains how the Group manages and measures the quality of trade receivables that are neither past due nor impaired.

The Group's payment terms on trade receivables range from 30 - 35 days. The credit risk of trade receivables neither past due nor impaired was assessed as remote as historical default rates with associated customers are negligible.

Recognition and measurement
Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade and other receivables are recognised on initial recognition at fair value. Subsequent to initial recognition, trade receivables are measured at amortised cost using the effective interest rate method, less an allowance for uncollectible amounts.

Impairment
Trade receivables and contract assets are subject to the expected credit loss model. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses the lifetime expected loss allowance for all trade receivable and contract assets. The identified impairment loss was immaterial. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Fair value
The carrying amount of trade and other receivables approximates their fair value.

C.3 Cash and cash equivalents

	2021	2020
	$'000	$'000
Cash at bank	**3,116**	8,749
	3,116	8,749

The reconciliation of net profit/(loss) after tax to net cash flows from operations for the years ended 30 June 2021 and 2020 is as follows:

	2021	2020
	$'000	$'000
(Loss)/profit after income tax from continuing operations	**(11,445)**	1,857
(Loss)/profit after income tax	**(11,445)**	1,857
Depreciation & amortisation (Note B.1)	**867**	1,153
Impairment of asset	**2,499**	-
Government grants	**-**	(76)
Interest expense	**1,376**	333
Surplus lease space (Note E.1)	**-**	(88)
Warranties (Note E.1)	**2,074**	(218)
Employee benefits (Note E.1)	**229**	163
Provision for doubtful debt	**(63)**	(167)
Share based payment expense (Note F.3)	**220**	264
Net foreign exchange gain	**(496)**	33
Net cash (used in)/from operating activities before changes in assets and liabilities	**(4,739)**	3,254
Changes in assets and liabilities during the year:		
Decrease/(increase) in receivables and prepayments	**2,346**	2,324
(Increase)/decrease in inventories	**(3,387)**	(2,683)
(Increase)/decrease in deferred tax assets	**1,354**	118
Increase/(decrease) in payables	**2,736**	713
	3,049	472
Net cash (used in)/generated from operating activities	**(1,690)**	3,726

Recognition and measurement
Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk as to change in value.

Fair value
The carrying amount of short-term deposits approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

C. WORKING CAPITAL MANAGEMENT

C.4 Other financial assets

	2021	2020
	$'000	$'000
Short term deposits	**585**	585
	585	585

The Group has pledged short term deposits of $585,000 (2020: $585,000) as collateral for financing facilities. Refer to Note D.1 for details on long-term borrowings.

Short-term deposits
Recognition and measurement
Short-term deposits represent term deposits with financial institutions for periods greater than 90 days and less than 365 days earning interest at the respective interest rate at time of lodgement. Short-term deposits are stated at amortised cost.

Fair value
The carrying amount of short-term deposits approximates their fair value.

C.5 Trade and other payables

	2021	2020
	$'000	$'000
Trade payables	**1,668**	4,280
Taxes payable	**-**	11
Other payables	**74**	191
	1,742	4,482

Recognition and measurement
Trade and other payables are financial liabilities recognised when goods and services are received prior to the end of the reporting period, irrespective of whether or not billed to the Group. Trade and other payables are recognised on initial recognition at fair value. Subsequent to initial recognition, trade and other payables are measured at amortised cost.

Fair value
The carrying amount of trade and other payables approximates their fair value.

C.6 Deferred revenue

Deferred revenue includes revenue allocated to unsatisfied performance obligations in engineering services contracts with customers, unsatisfied performance obligations on sale of goods to customers and long-term advances received from customers.

A reconciliation of deferred revenue for the years ended 30 June 2021 and 2020 is as follows:

	2021	2020
	$'000	$'000
At 1 July	**1,321**	2,911
Deferred during the year	**6,803**	9,622
Released to the statement of profit or loss	**(3,839)**	(11,212)
At 30 June	**4,285**	1,321

Recognition and measurement
Deferred revenue is recognised as a liability when consideration is received prior to performance obligations being satisfied with a customer. The deferred revenue is recognised as income over the periods that the performance obligations are met.

C. WORKING CAPITAL MANAGEMENT

C.7 Leases

The Group leases various premises. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of variable lease payments that are based on index or a rate.

The recognised right-of-use assets relate to the amount of the initial measurement of lease liability.

A sub lease has been recognised as a Finance Lease Receivable under AASB 16 Leases. This reduced the right-of-use asset on adoption.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Amounts recognised in the balance sheet

Set out below is a summary of the amounts disclosed in the Consolidated Statement of Financial Position:

	2021	2020
Right-of-use assets	**$'000**	$'000
Properties	**857**	2,062
Total	**857**	2,062

	2021	2020
Lease Liabilities	**$'000**	$'000
Current	**982**	1,131
Non Current	**847**	1,898
	1,829	3,029

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021	2020
	$'000	$'000
Depreciation charge of right-of-use assets	**710**	728
Impairment	**373**	-
Interest expense (included in finance cost)	**131**	146

The total cash outflow for leases in 2021 was $846,000 (2020: $499,000).

Key estimate - Impairment of right-of-use assets

Refer to Note B.1 for key estimate of asset impairment.

D. DEBT AND CAPITAL

In this section

This section addresses the debt and capital position of the Group at the end of the reporting period including, where applicable, the accounting policies applies and the key estimates and judgements made.

Financial and capital risks in this section

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.

D.1 Borrowings

	2021	2020
	$'000	$'000
Current	**9,986**	3,756
Non-current	**-**	4,854
	9,986	8,610

Changes in borrowings arising from financing activities are as follows:

	At 1 July $'000	Cash flows $'000	Finance costs $'000	**At 30 June $'000**
2021	**8,610**	-	**1,376**	**9,986**
2020	8,277	-	333	8,610

On 25 January 2010, the Department of Jobs, Tourism, Science and Innovation 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 25 January 2010 to 30 May 2025
- In early 2021 Orbital commenced renegotiations of its $9.9M WA Government Loan, this was however not concluded at year end. Refer to subsequent event note F.7 for further details.

The loan was reclassified as current borrowings under the loan terms in place at year end.
As a result of the non-repayment of a portion of the loan in the current year, loan terms were determined to be modified. This did not constitute a substantial modification of the loan terms.
As a result of these changes, the amount of $618,000, being the difference in the present value of the cash flows of the loans calculated under the old and new terms, has been recognised in the Consolidated statement of profit or loss and other comprehensive income.

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

D.2 Share capital

	2021	2020
	$'000	$'000
Ordinary shares issued and fully paid	**31,265**	31,220

Movement in ordinary shares	**Number**	**$000's**
At 1 July 2019	77,452,926	31,178
Employee Share plan number 1	133,997	42
At 30 June 2020	77,586,923	31,220
At 1 July 2020	**77,586,923**	**31,220**
Employee Share plan number 1	**71,853**	**45**
At 30 June 2021	**77,658,776**	**31,265**

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.

D. DEBT AND CAPITAL

D.3 Reserves

	Employee benefits reserve $000's	Foreign currency translation reserve $000's	Total $000's
At 1 July 2019	2,203	(32)	2,171
Foreign currency translation	-	3	3
Rights issued pursuant to performance rights plan	221	-	221
At 30 June 2020	2,424	(29)	2,395
At 1 July 2020	**2,424**	**(29)**	**2,395**
Foreign currency translation	**-**	**464**	**464**
Rights issued pursuant to performance rights plan	**176**	**-**	**176**
At 30 June 2021	**2,600**	**435**	**3,035**

Nature and purpose of reserves

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. Refer to Note F.3 for further details.

E. OTHER ASSETS AND LIABILITIES

In this section

This section addresses the other assets and liabilities position of the Group at the end of the reporting period including, where applicable, the accounting policies applies and the key estimates and judgements made.

E.1 Provisions

	Surplus lease space $000's	Warranties $000's	Employee benefits $000's	Total $000's
At 1 July 2020	**-**	**521**	**1,778**	**2,299**
Arising during the year	-	2,083	942	3,025
Utilised	-	(9)	(713)	**(722)**
At 30 June 2021	**-**	**2,595**	**2,007**	**4,602**
Current	-	2,595	1,935	4,530
Non-current	-	-	72	72
	-	**2,595**	**2,007**	**4,602**
At 1 July 2019	88	738	1,614	2,440
Arising during the year	-	380	666	1,046
Utilised	(88)	-	(502)	(590)
Expired	-	(597)	-	(597)
At 30 June 2020	-	521	1,778	2,299
Current		521	1,706	2,227
Non-current		-	72	72
	-	521	1,778	2,299

Recognition and measurement

Provisions are recognised when the Group has a present obligation, legal or construction, as a result of a past event, it is probable that an outflow of resources embodying benefits will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for warranties

The Group provides for a provision for warranties for general repairs for two years after its propulsion system assemblies ("PSA") are sold. The provision for warranties represents the liability for potential warranty claims against the Group and is recognised at the point in time when a PSA is sold. The valuation of the provision for warranties is based on the product of the estimated defect rate, the cost of the PSA and the volume of PSAs sold.

Employee benefits

The Group does not expect its long-service or annual leave benefits to be settled wholly within twelve months of each reporting date. These liabilities are measured at the present value of the estimated future cash outflow to be made to the employees using the projected unit credit method. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, estimated future cash flows.

Other employee benefits expected to be wholly settled within one year after the end of the period in which the employees render the related services are classified as short-term benefits and are measured at the amount due to be paid.

F. OTHER NOTES

In this section

This section addresses information on other items which require disclosure to comply with Australian Accounting Standards and the Corporations Act 2001 (Cth). This section includes Group structure information and other disclosures.

F. Other items

F.1 Key management personnel compensation

Compensation of key management personnel of the Group

	2021	2020
	$	$
Short term employee benefits	**1,442,033**	1,397,283
Post-employment benefits	**104,948**	96,892
Long-term employee benefits	**55,394**	52,797
Share based payments	**156,178**	162,314
	1,758,553	1,709,286

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. The compensation of key management personnel is included in the employee benefits expense in the statement of profit or loss and other comprehensive income.

Refer to table 2 and table 3 of the Remuneration report for KMP share and equity holdings, including performance rights.

F.2 Related parties

Group structure

Note F.4 provides information about the Group's structure, including details of subsidiaries.

Transactions with directors

There were no transactions with directors during the year. Key management personnel compensation is disclosed in Note F.1.
No other director or key management personnel entered into a material contract with the Group from the end of the previous financial year.

F. OTHER ITEMS

F.3 Share based payments

	2021 **$'000**	2020 $'000
Equity-settled share based payment transactions	**241**	245
	241	245

There were no cancellations or modifications to awards in the 2021 or 2020 financial years. Share-based payment plans are explained below:

Employee Share Plan No. 1

The Group provides benefits to its employees in the form of share based payments in which employees render services for ordinary shares in the Group. Under the plan, each eligible employee is offered fully paid ordinary shares to a maximum value of $1,000 per annum.

For the year ended 30 June 2021, 39,634 ordinary shares (2020: 133,997 ordinary shares) were issued on 23 December 2020 at a market value on the date of issue of $45,000 (2020: $42,000).

CEO Share Acquisition Performance Rights

On 11 August 2017, the Group announced the appointment of Mr. Alder as the Managing Director and Chief Executive Officer of the Group. The announcement set out the material terms of his employment, which include the grant of two performance rights for each share acquired by Mr. Alder during the period from 11 August 2017 to 31 December 2017.

During the year ended 30 June 2018, Mr. Alder acquired 372,333 ordinary shares in the Group, resulting in a maximum entitlement of 647,250 share acquisition performance rights ("SAPR's"). The grant of the performance rights was approved by the shareholders at an extraordinary general meeting on 23 May 2018.
The terms of the performance rights issued to Mr. Alder are subject to a vesting condition of a 30-day volume weighted average share price of $0.62 per ordinary share.

During the year ended 30 June 2021, 647,250 performance rights issued under the plan vested. The share based payment expense recognised for the year ended 30 June 2021 was $8,000 (2020: $68,000).

2018 Executive LTI Plan and 2018 CEO LTI Plan

On 27 October 2017 and 23 May 2018, the Group issued 951,622 performance rights to key management personnel as part of their long-term incentive plan. The terms of the performance rights are set out on pages 11-12 of the Directors' Report. During the year ended 30 June 2021, 846,016 performance rights issued under the plan vested. The share based payment expense recognised for the year ended 30 June 2021 was $18,000 (2020: $103,000).

2020 Executive LTI Plan and 2020 CEO LTI Plan

On 28 October 2020 and 04 December 2020, the Group issued 717,198 performance rights to key management personnel as part of their long-term incentive plan. The terms of the performance rights are set out on pages 12 of the Directors' Report. During the year ended 30 June 2021, no performance rights issued under the plan vested. The share based payment expense recognised for the year ended 30 June 2021 was $155,000.

Movements during the year

The following table illustrates the number of performance rights during the year:

	2021 Number	2020 Number
Outstanding at 1 July	**1,557,529**	2,010,654
Granted during the year	**1,157,181**	-
Lapsed during the year	**(484,290)**	(453,125)
Outstanding at 30 June	**2,230,420**	1,557,529

The weighted average remaining contractual life of performance rights outstanding at 30 June 2021 was 2.25 years (2020: 0 years).

The following tables list the inputs into the models used for the plans for the years ended June 30, 2018 and 2021 respectively:

	2018 Executive LTI Plan	2018 CEO LTI Plan	CEO SAPR's	2020 Executive LTI Plan	2020 CEO LTI Plan
Grant date	23/05/2018	27/10/2017	23/05/2018	28/10/2020	4/12/2020
Expiry date	10/08/2020	10/08/2020	10/08/2020	30/09/2023	30/09/2023
Share price at grant	$ 0.44	$ 0.54	$ 0.44	$ 1.19	$ 1.18
Fair value ($/right) - Tranche 1	0.209	0.365	0.316	0.970	0.980
Fair value ($/right) - Tranche 2	0.138	0.278	-	0.760	0.730
Expected volatility	59%	60%	59%	70%	70%
Risk-free interest rate	1.98%	1.95%	1.98%	0.12%	0.13%
Remaining contractual life	0 years	0 years	0 years	2.25 years	2.25 years
Model used	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

F. OTHER ITEMS

F.3 Share based payments (continued)

The expected life of the performance rights is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility of performance rights reflects the assumption that the historical volatility over a period similar to the life of the performance rights is indicative of future trends, which may not necessarily be the actual outcome.

Recognition and measurement
Employees, including key management personnel, of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments; that is, equity-settled transactions.

The cost of equity-settled transactions is determined using the fair value of the equity instrument at the date when the grant is made using an appropriate valuation model.

The cost arising from share-based payments is recognised as an employee benefits expense, together with a corresponding increase in equity over the period in which the service and, where applicable, the performance conditions, are fulfilled; that is, the vesting period. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss and other comprehensive income represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of the awards, but the likelihood of the condition being met is assessed as part of the Group's best estimate of the number of shares that will vest. Market performance conditions are reflected within the grant date fair value.

F. OTHER ITEMS

F.4 Subsidiaries

The ultimate parent company of the Group is Orbital Corporation Limited. The consolidated financial statements of the Group include:

Entity	Note	Class of shares	Country of incorporation	Principal activities	% equity interest 2021	% equity interest 2020
Orbital Australia Pty Ltd	(b) (c)	Ordinary	Australia	Production & Development	100	100
Orbital Australia Manufacturing Pty Ltd		Ordinary	Australia	Dormant	100	100
OEC Pty Ltd		Ordinary	Australia	Dormant	100	100
S T Management Pty Ltd		Ordinary	Australia	Dormant	100	100
OFT Australia Pty Ltd		Ordinary	Australia	Dormant	100	100
Investment Development Funding Pty Ltd		Ordinary	Australia	Dormant	100	100
Power Investment Funding Pty Ltd		Ordinary	Australia	Dormant	100	100
Kala Technologies Pty Ltd		Ordinary	Australia	Dormant	100	100
Orbital Share Plan Pty Ltd	(a)	Ordinary	Australia	Dormant	100	100
Orbital Holdings (USA) Inc.		Ordinary	United States	Dormant	100	100
Orbital Fluid Technologies Inc.		Ordinary	United States	Dormant	100	100
Orbital UAV USA, LLC		Ordinary	United States	Production & Development	100	100

(a) Orbital Share Plan Pty Ltd was established on 22 September 2008 and acts as the trustee for Executive Long Incentive Performance Rights Plans.

(b) The Production segment is focussed on the manufacture, assembly and delivery of engines and propulsion systems for unmanned aerial vehicles, and the continuous improvement of propulsion system and component part costs; product quality; and timing of product delivery.

(c) The Development segment specialises in the development of new UAV propulsion systems and flight critical components, including unmanned aerial vehicle engineering studies, engine mapping, maintenance certification and engineering technical support across the Group.

F.5 Parent entity information

	2021 $'000	2020 $'000
Current assets	-	2
Non-current assets	13,417	24,768
Current liabilities	9,987	-
Non-current liabilities	-	8,610
Net assets	**3,430**	16,160
Issued capital	31,220	31,220
Accumulated losses	(30,451)	(17,485)
Employee benefits reserve	2,661	2,425
Total equity	**3,430**	16,160
Profit/(loss) of the parent	(12,966)	1,357
Total comprehensive profit/(loss) of the parent entity	(12,966)	1,357

F. OTHER ITEMS

F.6 Auditor remuneration

The auditor for the Group is PricewaterhouseCoopers ("PwC")

	2021 $	2020 $
Amounts received or due and receivable for:		
Audit and review of the consolidated financial statements	**160,000**	135,278
Tax compliance services	**113,462**	72,670
Other services	**270,137**	-
	543,599	207,948

F.7 Events after the end of the reporting period

Other than the matter sets out below, in the interval between the end of the year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years:

• The $9.9M WA Government Loan was under renegotiation during the year (as per Note D.1) and the formal confirmation of a Deed of Variation was received on 12 August 2021.
The restructured loan agreement includes an extended repayment schedule over the next four years and repayment offset options that are contingent on the Company achieving operational milestones aligned with its increasing engine business in Western Australia over that period. The repayment offset options provide the potential to forgive the entire value of the loan.
In FY22, $4M of the $9.9M loan is expected to be offset due to achievement of operational milestones.

F.8 Other accounting policies

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amounts of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ("ATO") is included as a current asset or liability in the consolidated statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Intangible assets
Patents

Patents, licences and technology development and maintenance costs, not qualifying for capitalisation, are expensed as incurred.

Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

► Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
► Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
► Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

F.9 New accounting standards

New standards and interpretations

The Group has reviewed new standards and interpretations and none of the new and amended accounting standards and interpretations will significantly affect the Group's accounting policies, financial position or performance.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Orbital Corporation Limited, I state that:

1. In the opinion of the Directors:

(a) The financial statements and notes and the additional disclosures included in the Directors' Report designated as audited, of the Group are in accordance with the *Corporations Act 2001,* including:

(i) Giving a true and fair view of the financial position of the Group as at 30 June 2021 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) Complying with Accounting Standards in Australia and the *Corporations Act 2001.*

(b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001,* from the Chief Executive Officer and Chief Financial Officer for the financial year 30 June 2021.

On behalf of the Board,

JP Welborn
Chairman

TM Alder
Managing Director & Chief Executive Officer

Dated at Perth, Western Australia 27 August 2021

Independent auditor's report

To the members of Orbital Corporation Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Orbital Corporation Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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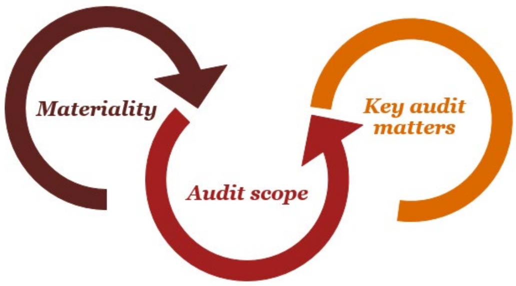
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group specialises in designing and manufacturing unmanned aerial vehicle propulsion systems for its customers. The Group has manufacturing operations in Australia and in the United States of America. The accounting processes are structured around a Group finance function at its corporate head office in Perth, where we predominantly performed our audit procedures.



Materiality

- For the purpose of our audit we used overall Group materiality of $310,000, which represents approximately 1% of the Group's total Revenue.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group Revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds for entities of this nature.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Basis of preparation of financial report *(Notes to the Financial Statements – pg25)* As described in the financial report, the financial statements have been prepared by the Group on a going concern basis, which contemplates that the Group will continue to meet its commitments, realise its assets and settle its liabilities in the normal course of business. At year end, the Group's current liabilities exceeded its current assets by $0.5 million Assessing the appropriateness of the Group's basis of preparation for the financial report was a key audit matter due to its importance to the financial report as a whole and the level of judgement involved in assessing the operational status, future funding and cash flows from sales in particular with respect to the Group forecasting future cash flows for a period of at least 12 months from the date of the financial report (cash flow forecasts).	In assessing the appropriateness of the Group's going concern basis of preparation for the financial report, we performed the following procedures, amongst others: • evaluated the appropriateness of the Group's assessment of its ability to continue as a going concern, including whether the level of detail in the assessment is appropriate given the nature of the Group, the period covered is at least 12 months from the date of our auditor's report and relevant information of which we are aware as a result of the audit has been included • enquired of management and the directors as to their knowledge of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, including the potential impact of COVID-19 on the Group • evaluated selected data and assumptions in the Group's cash flow forecasts for at least 12 months from the date of signing the auditor's report, including comparing selected elements, such as purchase orders from customers, in the cash flow forecasts to existing contracts and agreements

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Key audit matter	*How our audit addressed the key audit matter*
	• evaluated the Deed of Variation to the interest-free loan contract (as per Note D1) received subsequent to year end • evaluated the Group's plans for future actions, including the renegotiation of the Group's borrowings • requested written representations from management and the board of directors regarding their plans for future action and the feasibility of these plans • evaluated whether, in view of the requirements of Australian Accounting Standards, the financial report provides adequate disclosures.
Carrying value of Inventory *(Refer to note C1) $12.8 million* At 30 June 2021 the Group held inventory with a carrying value of $12.8 million. This inventory comprises parts, consumables and sub-assemblies of engines which will be used in the construction of engines by the Group. Inventory for the Group is held in Perth, Australia and Hood River, USA. We focused on this area due the significance of the inventory balance to the Consolidated Statement of Financial Position and the complexities associated with the allocation of direct labour and direct material costs due to the multiple stages of assembly in the construction of the engines.	We performed the following procedures, amongst others: • attended the inventory counts at Perth and Hood River and traced our inventory count samples to the Group's inventory listings • assessed the application of inventory costing methodologies and whether this was consistent with Australian Accounting Standards • compared a sample of inventory cost items to third party invoices • on a sample basis, evaluated the direct labour costs allocated to engines in inventory by inspecting timesheets and agreeing the labour cost to the payroll system • on a sample basis, recalculated the mathematical accuracy of sub-assembly bill of materials that comprise engines in inventory

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Key audit matter	*How our audit addressed the key audit matter*
	• assessed the adequacy of the provision for obsolete stock, particularly in light of the decision to cease production in the US during the year • evaluated whether inventory was carried at the lower of cost and net realisable value by comparing costs per unit in inventory against sale prices in customer contracts
Carrying value of US Operations and deferred tax assets *(Refer to notes A5, B1 and C7)* The Group performed an assessment for impairment indicators across its cash generating units (CGUs) as required by Australian Accounting Standards. During the year, the Group identified indicators of impairment for US operations due to the restructuring of the US operations and recorded an impairment expense of $2.5 million. The Group made a number of judgements, including assessing whether it has access to carry forward tax losses and its forecast taxable income in the US for the period during which the carry forward tax losses are available for use. As a result, deferred tax assets of $1.3 million in the US were no longer deemed to be probable of utilisation and were written off during the year.	We evaluated the Group's assessment that there were indicators of asset impairment at 30 June 2021 for its US CGU. We also performed the following procedures, amongst other, on the Group's impairment assessment: • assessed whether the US CGU appropriately included all directly attributable assets and liabilities • evaluated the Group's plan for its assets in the US CGU • evaluated the Group's assessment of future cash flows for the US CGU, including consideration of the most recent budget approved by the directors • evaluated the adequacy of the disclosures made in note B1 and C7 including those regarding key assumptions used in the impairment assessment, in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
In light of the Group's decision to cease production in the US, assessing the appropriateness of recognising the impairment expense and the derecognition of deferred tax assets was a key audit matter due to the level of judgement applied by the Group in forecasting future cash flows, future taxable income and the probability of the carry forward tax losses being utilised.	With regards to the deferred tax assets on unused tax losses, we performed the following procedures, amongst others: • Obtained the calculation of forecast taxable income for the US CGU to evaluate the Group's conclusion that it is not probable that sufficient taxable profit will be available, prior to the expiry of unused tax losses, against which a deferred tax asset could be recognised • evaluated the adequacy of the disclosures made in Note A5 in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 8 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Orbital Corporation Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
27 August 2021

SHAREHOLDING DETAILS

Class of Shares and Voting Rights

As at 16 August 2021 there were 5,040 shareholders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Article 8 of the Company's Constitution, subject to any rights or restrictions for the time being attached to any class or classes of shares, are:

a) at meetings of members or class of members, each member entitled to vote may vote in person or by proxy or representative; and
b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or representative has one vote for each ordinary share held.

Substantial Shareholders and Holdings as at 16 August 2021

UIL Limited	**23,627,904**	**30.33%**
(as notified 13 April 2017)		
Mitsubishi UFJ Financial Group, Inc.	**11,283,347**	**14.48%**
Comprising voting power of 100% in First Sentier Investors Holdings Pty Ltd; and	*8,779,248*	
voting power of over 20% in Morgan Stanley Australia Securities	*2,504,099*	
(as notified 6 May 2021)		

Distribution of Shareholdings as at 16 August 2021

1-1,000	2,788
1,001-5,000	1,407
5,001-10,000	412
10,001-100,000	403
100,001 and over	52
Number of shareholders	**5,062**
Total Shares on Issue	**77,899,027**
Number of unmarketable parcels	**-**

Top 20 Shareholders as at 16 August 2021

		NUMBER OF SHARES HELD	% OF SHARES
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,254,202	33.70
2	CITICORP NOMINEES PTY LIMITED	10,368,180	13.31
3	ANNAPURNA PTY LTD	2,635,000	3.38
4	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	2,355,415	3.02
5	DEBUSCEY PTY LTD	1,850,000	2.37
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,822,558	2.34
7	BIRKETU PTY LTD	1,455,688	1.87
8	BNP PARIBAS NOMINEES PTY LTD	1,132,541	1.45
9	MR MICHAEL WILLIAM FORD & MRS NINA BETTE FORD	1,086,672	1.39
10	MR CHRISTOPHER IAN WALLIN & MS FIONA KAY MCLOUGHLIN & MRS SYLVIA FAY BHATIA	689,200	0.88
11	MR JOHN PAUL WELBORN & MS CAROLINE ANNE WELBORN	679,103	0.87
12	BNP PARIBAS NOMS PTY LTD	555,793	0.71
13	BOND STREET CUSTODIANS LIMITED	500,000	0.64
14	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	460,853	0.59
15	MR TODD MATHEW ALDER	372,333	0.48
16	MR JOHN AYRES	356,667	0.46
17	TEXAS HOLDINGS PTY LTD	325,000	0.42
18	FUNDING SECURITIES PTY LTD	307,249	0.39
19	MR DARRYL JAMES SMALLEY	300,000	0.39
20	WEEWAC PTY LTD		
Top 20 Shareholders Total		**53,506,454**	**68.69**

The 20 largest shareholders hold 68.85% of the ordinary shares of the Company (2020: 68.58%).

On-market share buy-back

There is no current on-market buy-back.

CORPORATE INFORMATION

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DIRECTORS

J.P. Welborn, Chairman
T.M. Alder, Managing Director and Chief Executive Officer
S.B. Gallagher
F.K. Abbott

COMPANY SECRETARY

D. Bonomini

SHARE REGISTRY

Link Market Services Limited
Level 12, QV1 Building
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Perth, Western Australia 6000
Telephone: 61 (08) 9211 6670

SHARE TRADING FACILITIES

Australian Stock Exchange Limited (Code "**OEC**")

AUDITORS

PricewaterhouseCoopers
125 St Georges Terrace
Perth, Western Australia 6000

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