ASX ANNOUNCEMENT

21 December 2018

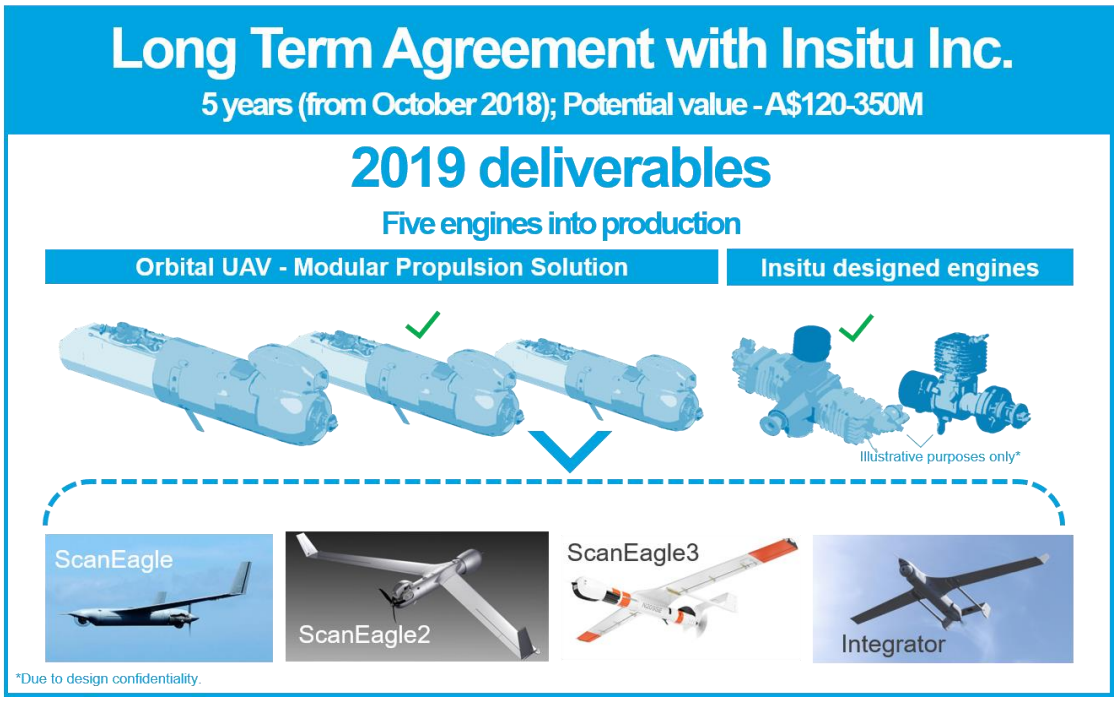
ENGINE DEVELOPMENT UPDATE

Orbital UAV provides progress report on its engine development plans in 2019.

PERTH, AUSTRALIA: Orbital Corporation Ltd ('Orbital UAV', 'the Company') is pleased to provide the following update on its progress to put five engines into production during 2019.

As previously announced (ASX Announcements: 15/10/2018), under the terms of its expanded Long Term Agreement ('LTA') with key customer Insitu Inc. ('Insitu'), Orbital UAV is committed to delivering:

- The assembly, supply and overhaul of three highly configurable propulsion systems, forming Orbital UAV's Modular Propulsion Solution ('MPS'); and
- The assembly, supply and overhaul of two Insitu designed engines – built and serviced from Orbital UAV's new operational facility in Hood River, Oregon, USA.



Modular Propulsion Solution

The first derivative of Orbital UAV's revolutionary MPS – a 50cc model featuring Orbital UAV's patented FlexDI™ technology – is progressing according to development plans.

The engine recently achieved a significant milestone, successfully completing a first prototype flight on schedule and to expectations.

A second development prototype of the engine will be completed by the end of 2018, ready for flight testing in late January 2019.

Insitu designed engines

Orbital UAV is rigorously developing and implementing the necessary processes to procure, inspect, assemble and test the first of two Insitu designed engines – drawing on the Company's significant experience for high value production systems.

Common platforms and practices used in the production of Orbital UAV designed systems are being utilised to ensure consistency and quality control, while providing full traceability and configuration management, in line with aerospace requirements.

In conjunction with this essential work, Orbital UAV has identified the supply chain requirements for long lead components and established the production build capability at its Hood River facility.

Delivering in 2019

"As we draw to the end of 2018, we are pleased with the progress and response to the development of our first MPS prototype engine," said Todd Alder, CEO and Managing Director of Orbital UAV.

"Working in tandem with Insitu, we continue to embed the necessary program delivery steps to ensure each engine will meet the rigorous reliability requirements of the end customer," he said.

-ENDS-

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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.