ORBITAL UAV

ASX ANNOUNCEMENT

28 August 2025

APPENDIX 4E

Preliminary Final Report for the year ended 30 June 2025

Reporting Period

The reporting period is for the year ended 30 June 2025 with the corresponding reporting period being for the year ended 30 June 2024.

Results for announcement to the market				30 June 2025 A$'000
Revenue from continuing operations	Down	**34%**	To	**8,359**
Loss for the year	Down	**6,513%**	To	**(4,297)**
Loss after tax attributable to members	Down	**6,513%**	To	**(4,297)**

	30 June 2025	30 June 2024
Net tangible assets per share (cents)	**0.79**	**3.26**

Dividends
There is no proposal to pay dividends for the year ended 30 June 2025.

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 – refer to page 1 of the Directors' Report.

Annual Meeting

The annual meeting is expected to be held as follows:

Place: Orbital UAV
4 Whipple Street
Balcatta, Western Australia

Date: 19 November 2025

CONTACTS

Announcement authorised by:

Kyle Abbott

Chairman
Tel: +61 8 9441 2311
Email: contact@orbitalcorp.com.au

For further information, contact:

Mark Wege

CFO & Company Secretary
Tel: +61 8 9441 2135
Email: mwege@orbitalcorp.com.au

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.

ORBITAL® UAV

2025 ANNUAL REPORT

Ready to fly...™

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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 2025

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 2025 and the auditor's report thereon.

OPERATING AND FINANCIAL REVIEW

Orbital achieved operational revenue of $8.2M in FY25, with $6.9M through the export of heavy fuel engine models to core clients in the US, Singapore and Vietnam. This represents a decrease in the production volumes from prior reporting periods and reflects the transition of export supplies to core client Boeing Insitu, toward pre-production activities for other key customers.

Engineering development revenues of $1.3M were generated, associated with technical integration works for Orbital core engine systems into customer UAV airframes.

Other income of $2.5M was achieved through the successful delivery of key milestones associated with the retirement of the Company's WA Government Loan agreement as well as $1.7M Research and Development grants received against the innovation outlays from the previous financial year.

Customer performance

During the year, the Company delivered against mandates for key clients across the globe including:

- the completion of the development program with DSO National Laboratories and commencement of production deliveries for its Veloce 60 program (30 engines delivered in FY25);
- production readiness for Textron Systems Aerosonde® 4.8 UAV program including the delivery of engines for flight trials with the US Department of Defence;
- the supply of 11 engine systems units into Vietnam;
- development of prototype engines for an Indian customer that are currently undergoing flight trials; and
- development of a new higher capacity engine that will shortly commence customer flight trials.

These new and expanded relationships demonstrate Orbital's superior heavy fuel engine capability for uncrewed aerial vehicles ('UAVs') and notably broadens customer relationships across the world.

The Company is well positioned to meet the evolving UAV market demands for:

- Increased payload requirements that creating strong demand for higher-capacity engines across both military and commercial UAV markets;
- Vertical take-off and landing (VTOL) configurations in both military and commercial market sectors requiring high-voltage battery charging, further accelerating the shift toward more powerful engines; and
- Beyond Visual Line of Sight (BVLOS) regulations that are driving the need for increased system safety and reliability, accelerating the adoption toward heavy fuels and military-grade performance standards in the commercial market.

US UAV Market Developments

US Department of Defence UAV strategies and associated procurement policies are currently in transition. On June 6, 2025, President Donald Trump signed Executive Order 14307, aiming to enhance the United States' leadership in drone technology by accelerating the integration and commercialization of drones into the national airspace. Key items are to:

- Mandate domestic UAV production and ban adversary-state vendors by September 2025;
- Expand commercial UAV operations by amending FAA regulations on BVLOS (beyond visual line of site) regulations; and
- Invest USD 150 billion in UAV funding through 2032 across military and commercial segments.

This provides opportunities for the Company as:

- Orbital has a US manufacturing facility that can be re-activated with 12-months;
- Orbital is aligned to the Blue UAS compliance requirements; and
- Orbital has existing Tier 1 military OEM customers and a proven track record in delivering UAV propulsion systems.

Capital Raising

In November 2024 the Company successfully completed a fully underwritten renounceable rights issue to raise $2.0M. A total of 18,258,896 new shares were issued pursuant to the prospectus. Orbital's two largest shareholders, UIL Limited and Boneyard Investments Pty Ltd both participated in and acted as underwriters for the offer.
Funds raised from the offer continue to support new engine development programs and to provide general working capital.

Financial results and financial position

The Company reported financial results for the year ended 30 June 2025, with revenue from continuing operations of $8.2M (2024: $12.6M), other income of $4.3M (2024: 3.1M) and a net loss after tax of $4.3M (2024: net profit after tax $0.1M).

The Company reported a balance sheet with cash and receivables of $3.3M (2024: $6.1M), net current assets of $0.2M (2024: $3.4M) and net assets of $8.6M (2024: $10.8M).

Net cash outflow from operating activities during the year was $2.7M (2024: $0.03M) and net cash inflows from financing activities was $1.5M (2024: $3.3M).

Cash operating expenses excluding inventory for the year ended 30 June 2025 were $11.1M (2024: $11.4M).

The annual report for the year ended 30 June 2025 contains an independent auditor's report which highlights the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 1.I to the financial statements, together with the auditor's report.

Debt Repayment - WA Government loan

In December 2024 the Company completed the final milestone requirement and as such the outstanding balance of $2.4M was fully repaid and the Company is debt free as at the end of FY25.

Material Business Risks

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

Concentration Risk

For the year ended 30 June 2025, approximately 48% of the Company's revenue was generated through trading with DSO National Laboratory programs. This concentration risk is expected to decrease as the Group brings other customer programs into production, thus reducing the weighting of revenue derived from DSO related programs.

Market Risk

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

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because 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 because of movements in foreign exchange rates. The Group holds bank accounts in foreign denominated currencies which are converted to Australian dollars through rate orders for at prevailing rates and maintains hedging facilities for risk mitigation for longer term exposures.

Interest Rate Risk

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

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

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating and investing activities, including trade receivables and short-term deposits with financial institutions. Maximum exposure to credit risk equals to the carrying amount of these financial assets. The significant concentration of credit risk within the Group relate to receivable balances from the Group's major customer.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, experience and industry reputation. Key individual customer receivable balances are monitored on an ongoing basis. The significant concentrations of credit risk within the Group relate to receivable balances from the Group's major customer and cash held with investment grade financial institutions.

The investment of surplus cash in short-term deposits is only invested with a major financial institution to minimise the risk of default of counterparties.

Capital Risk Management

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

Outlook

Entering financial year 2026 ('FY26'), the Company's is well placed to play a key role in the rapidly evolving UAV market.
The Company has a geographically widespread customer base in key markets of USA, South-East Asia, the Pacific Region, India and Europe, with emerging opportunities in Australia and the Middle East.
The Company also intends to broaden its customer and product base by penetrating the emerging Tier 1 Commercial UAV space, which is a new market segment for the Company.

DIRECTORS

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

Mr Kyle Abbott, B.Com (Hons 1st), CA (*Non-Executive Chairman)*

Mr Abbott joined the Board in May 2018 and was appointed Chairman on 17 December 2024. He is an experienced aerospace and defence 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 Steve Gallagher, B.E (Hons), B.Com, MAICD (*Non-Executive Director)*

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, director, and Executive GM of global businesses with companies including Vix Technology Ltd, Siemens AG, Landis & Gyr AG and CCRTT Ltd.

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 and Chair of ICM Mobility Ltd (an investment holding company for mobility services companies in transportation including Vix Technology Ltd, Littlepay Ltd, Kuba Payments Ltd, Snapper Services Ltd, Unwire Ltd, DTI Ltd (ASX listed passenger information and surveillance business).

Dr Grant Lukey, B.E (Hons), Grad Dip (Law), PhD, MAICD (*Non-Executive Director)*

Dr Lukey joined the Board in December 2023, and is the CEO and Managing Director of Coogee Chemicals Pty Ltd. He holds a PhD in Minerals Processing and has completed the Advanced Management Program at Harvard University (AMP 188). Currently a board member on the Kwinana Industries Council, and from 2015-2018 Grant also held the position of director on the board of Chemistry Australia.

Mr Andrew Mills, B.Sc (Hons), MAICD (appointed 9 January 2025) (*Executive Director)*

Mr Mills was appointed to the Board in January 2025. He has a bachelor's degree in applied chemistry and has 25 years' experience within automotive and aerospace industries. Prior to joining Orbital in 2019 Andrew held senior leadership roles with BAE Systems UK and HELLA New Zealand.

Mr Mills previously oversaw Orbital Operations as the General Manager Operations and was Interim CEO from September 2023 to March 2024.

Mr John Paul Welborn, BCom, FCA, FAIM, MAICD, MAusIMM, JP (resigned 17 December 2024)

Mr Welborn joined the Board in June 2014 and appointed as Chairman in March 2015, Mr Welborn is a Chartered Accountant with a Bachelor of Commerce degree from the University of Western Australia and is a Fellow Chartered Accountant of the Institute of Chartered Accountants in Australia and New Zealand and holds memberships of the Australian Institute of Company Directors (AICD) and the Australasian Institute of Mining and Metallurgy (AusIMM).

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 charitable organisations and is a former Commissioner of Tourism Western Australia.

Mr Welborn also serves as a Non-Executive Director of Equatorial Resources Limited (appointed August 2010), and as a Non-Executive Chairman of Athena Resources Ltd (appointed July 2024) and is Executive Chairman of Fenix Resources Limited (appointed November 2021).

COMPANY SECRETARY

Mr Mark Wege, B.Com, ACA, MAICD (appointed 9 December 2024)

Mr Wege was appointed as Chief Financial Officer and Company Secretary of Orbital in December 2024. Mark is a qualified Chartered Accountant with a Bachelor of Commerce from the University of Western Australia.

He is a highly experienced senior executive with a strong background and over 30 years of experience across manufacturing, engineering, research & development and automotive industries.

Mr Thomas Spencer, B.Bus, CPA, MAICD (resigned 12 January 2025)

Mr Spencer was appointed as Chief Financial Officer and Company Secretary in October 2022. Mr Spencer is a seasoned finance executive with multinational experience, leading strategy development, governance and commercial initiatives across a spectrum of industries. He is a qualified CPA and holds a Bachelor of Business degree and is a member of the Australian Institute of Company Directors.

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 [2]	
Director	**No. of meetings attended**	**No. of meetings held[1]**	**No. of meetings attended**	**No. of meetings held**
S Gallagher	6	6	1	1
K Abbott	6	6	1	1
G Lukey	6	6	-	-
J P Welborn	2	3	-	-
A Mills	3	3	-	-

[1] *Number of meetings held during the time the Director held office during the year.*
[2] *In December 2024, the Directors resolved to absorb the responsibilities of the Audit and Risk Committee into the Directors' Meetings.*

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2025

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 Group drives its UAV-focused strategy from its operations 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.

DIVIDENDS

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

EVENTS SUBSEQUENT TO REPORTING DATE

Reportable events subsequent to the reporting date of 30 June 2025 are:

Hedge contract
On 24 July 2025, subsequent to the reporting date, the Company entered into a forward exchange contract to hedge the foreign currency risk exposure relating to USD receivables. The contract has a notional amount of $643,000, and maturity date of 27 February 2026. As this transaction was entered into after the reporting date, it is classified as non-adjusting event under IAS 10 *Events After the Reporting Period*. This contract is expected to qualify for hedge accounting under IFRS 9 in the next reporting period.

Advance funding of R&D rebate
On 28 July 2025 the Group entered into a financing arrangement with Radium Capital, receiving an advance of $1.1M secured against its anticipated R&D tax incentive refund for the financial year ending 30 June 2025. At the reporting date, no R&D rebate receivable was recognised. The facility bears interest at 1.33% per month and is repayable upon receipt of the R&D refund from the Australian Taxation Office ("ATO"). The advance provides additional working capital to support ongoing R&D activities.

Capital raise
On 21 August 2025 the Group received firm commitments for a capital raising of $3.0M (before costs), to be completed via the issue of 14.3 million new fully paid ordinary shares at an issue price of $0.21 per new share. The shares are expected to be issued on or about 28 August 2025 under the Company's existing placement capacity pursuant to ASX Listing Rule 7.1. The funds will support the next phase of growth and execution of the Group's business plan. In connection with the placement, the lead advisor was issued 3,000,000 options at an exercise price of $0.40 and exercisable by 31 December 2026.

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 2001.

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.

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.

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 2025 is as follows:

Director	Ordinary Shares	Options
K Abbott	118,125	25,000
S Gallagher	412,502	50,000
G Lukey	822,067	-
A Mills	3,461	1,000,000
Total	**1,356,155**	**1,075,000**

SHARE OPTIONS ISSUED

The Group issued 17,500,000 options as part of the capital raising activities completed in February 2023. Options were issued for nil cash consideration and were valued at $1,033,205 using the Black Scholes method of calculation at issue date of 7 February 2023. The options are exercisable at $0.35 on or before the date that is 3 years after the date of issue.

During the 2025 fiscal year, the Group issued 1,500,000 options under the Long-term incentive plan (LTI) for nil cash consideration, valued using the Black Scholes method and exercisable within 5 years of issue. Refer to the Remuneration section for details.

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 2025, the Group engaged with Nexia Perth Audit Services Pty Ltd in non-audit services that included corporate tax advice. Refer to Note F.6 of 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.

The directors are of the opinion that the services as disclosed in note F.6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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 an insurance contract covering 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, Nexia Perth Audit Services Pty Ltd, 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 Nexia Perth Audit Services Pty Ltd during or since the financial year.

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 fourth 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.

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 ("KMP")

This Remuneration Report outlines the remuneration in place and outcomes achieved for KMPs during the year ended 30 June 2025.

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 2025 are set out in Table 1.

Table 1 – KMP

Executive	Non-executive
Andrew Mills (Executive Director) [1]	John Welborn (Chairman) [5]
Stephen Pearce (Chief Executive Officer) [2]	Kyle Abbott (Chairman) [6]
Mark Wege (Chief Financial Officer & Company Secretary) [3]	Steve Gallagher (Director)
Thomas Spencer (Chief Financial Officer & Company Secretary) [4]	Grant Lukey (Director)

[1] *Mr. Mills was appointed as Executive Director on 9 January 2025.*
[2] *Mr. Pearce was appointed as CEO on 30 June 2025.*
[3] *Mr. Wege was appointed as CFO & Company Secretary on 9 December 2024.*
[4] *Mr. Spencer resigned as CFO & Company Secretary on 12 January 2025.*
[5] *Mr. Welborn resigned as Chairman on 17 December 2024.*
[6] *Mr. Abbott was appointed Chairman on 17 December 2024.*

Table 2 – Five-year performance

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

	2025	2024	2023	2022	2021
Closing share price ($) [1]	**0.10**	**0.08**	0.18	0.23	0.83
Market capitalisation ($m)	**15.65**	**11.68**	20.52	20.93	64.46
Basic EPS (cents) from operations	**(2.75)**	**0.05**	0.02	(12.92)	(14.74)

[1] *as at 30 June*

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 was awarded during the year ended 30 June 2025 (2024: nil).

The remuneration of Non-Executive Directors of the Company consists only of Directors' fees. Director fees were not reviewed or adjusted during the 2025 financial year.

Remuneration Report at 2024 AGM

The 2024 Remuneration Report received positive shareholder support at the 2024 AGM with more than 99% of votes cast in favour.

Remuneration strategy

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 2025

At the 2024 Annual General Meeting, Shareholders approved the adoption of a new Long-term incentive ("LTI") Plan.
The primary purpose of the Board in proposing the LTI Plan for Shareholder approval is to retain, attract and motivate key personnel. The Board believes that the success of the Company depends in a large measure on the skills and motivation of the people engaged in the management of the Company's business, it is therefore important that the Company is able to retain and attract people of the highest calibre for the Company's operations.

The LTI Plan forms an important part of a comprehensive remuneration strategy for the Company's directors, employees and consultants, aligning their interests with those of Shareholders by linking their rewards to the long-term success of the Company and its financial performance.

The LTI Plan will apply to any potential future Performance Rights, Options and Shares (as applicable) that are issued under and in accordance with the plan.

Pursuant to the LTI Plan, there is a possibility of the Company providing financial assistance to acquire Shares. For example, upon the vesting and exercise of Performance Rights or Options, the Company may pay for the acquisition of Shares on-market, instead of issuing additional Shares, in order to supply the Shares due to the participant under the LTI Plan.

Also, the Company may provide a limited recourse, interest free loan to a participant for the issue price of the relevant Shares offered to the participant pursuant to the LTI Plan which loan must be used for the sole purpose of paying the Company the aggregate issue price for Shares to be issued to the participant on acceptance of the relevant offer.

Full details of the new LTI Plan can be found in Schedule 2 of the 2024 AGM Notice of Meeting.

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 LTI plans. 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 2025 (2024: 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 2025 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 2025 financial year is explained below:

SUMMARY OF EXECUTIVE KMP REMUNERATION FOR THE 2025 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 Statutory Table 1 of this report.

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 Earnings	Non-financial Group KPIs
CEO	100%	0%
Other Executives	100%	0%

Earnings is the measure against which management and the Board assess the short-term performance of the Group. If the earnings 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 behaviour aligns with the Values of the Group.

How much can executives earn?

For the year ended 30 June 2025, the maximum STI for the Chief Executive Officer was 30% of fixed remuneration. The maximum STI for other executives was 30% 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 comprising of the CEO, CFO, Executive director and CEng. The Board approves the final STI award based on this assessment of performance.

Actual STI performance for the year ending 30 June 2025

The following table outlines the proportion of the maximum STI earned in relation to the 2025 financial year. There were no STI amounts paid to KMPs for the year ended 30 June 2025.

	Maximum STI opportunity (Percentage of fixed remuneration)	Percentage of maximum STI earned
Andrew Mills	30%	0%
Thomas Spencer	30%	0%

Long-term incentive ("LTI")

Under the LTI Plan, the grant of share options was made to executives to align remuneration with the creation of shareholder value over the long-term. The LTI Plan was approved by Shareholders at the 2024 Annual General Meeting.

How is it paid?

Executives are eligible to receive options that give the right to receive a given number of ordinary shares in the Group if a nominated performance milestone is achieved.

When is performance measured?

Options vest based on a time-based criteria and lapse if the executive ceases to be employed by the Company.

Actual LTI performance for the year ending 30 June 2025

The following new options were issued during the 2025 fiscal year under the LTI Plan:

- 500,000 new Options were issued for nil cash consideration and were valued at $52,500 using the Black Scholes method of calculation at acceptance date 11 December 2024. A volatility rate of 99.11% and a risk-free rate of 4.01% was used in the calculation. The options are exercisable at nil price on or before the expiry date that is 5 years after the date of issue. The options vested on 30 June 2025.

- 500,000 new Options were issued for nil cash consideration and were valued at $37,819 using the Black Scholes method of calculation at acceptance date of 11 December 2024. A volatility rate of 101.28% and a risk-free rate of 4.01% was used in the calculation. The options are exercisable at $0.14 on or before the expiry date that is 5 years after the date of issue.

- 500,000 new Options were issued for nil cash consideration and were valued at $50,000 using the Black Scholes method of calculation at acceptance date of 24 December 2024. A volatility rate of 101.51% and a risk-free rate of 4.01% was used in the calculation. The options are exercisable at nil price on or before the expiry date that is 5 years after the date of issue.

The options value is amortised over the vesting period.

Employee Share Plan (ESP)

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.

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.

During the year ended 30 June 2025, 463,906 (2024: 250,182) shares were issued to employees under the ESP.

No Directors or KMPs participated in the share plan in 2025 (2024: 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 KMP.

	Fixed Remuneration	Contract Duration	Termination Notice Period (Company)[1, 2]	Termination Notice Period (Executive)
S Pearce	$430,000	Unlimited	4 months	4 months
A Mills	$350,000	Unlimited	12 months	3 months
M Wege	$310,000	Unlimited	3 months	3 months
T Spencer	$280,000	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.*

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 has not sought any increase for the Non-Executive Director pool since that date.

Fees

Non-Executive Directors do not receive retirement benefits other than statutory superannuation contributions, where required, nor do they participate in any incentive programs.

The Chairman of the Board receives a base fee of $60,000 (2024: $60,000) and the Non-Executive Directors receive a base fee of $30,000 (2024: $30,000).

The remuneration of Non-Executive Directors for the year ended 30 June 2025 and 30 June 2024 is detailed in Statutory Table 1 of this report.

OTHER TRANSACTIONS WITH KMP AND 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 2025 (2024: nil).

STATUTORY TABLES

Table 1 - Compensation of Non-Executive Directors and executive KMPs for the year ended 30 June 2025 and 2024

		Short Term Benefits			Post-Employment	Long-term Benefits	Share Based Payments		Total	
		Salary & Director's Fees	Cash Bonuses	Non-monetary	Employer Superannuation Contributions	Leave Entitlements	Performance Rights Plan	Equity Settled Options	Total Remuneration	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
Non-executive Directors										
J Welborn [1]	**2025**	**27,320**	**-**	**-**	**3,142**	**-**	**-**	**-**	**30,462**	**-**
Chairman and Director (Non-executive)	2024	70,074	-	-	7,708	-	-	-	77,782	-
K Abbott [2]	**2025**	**45,000**	**-**	**-**	**-**	**-**	**-**	**-**	**45,000**	**-**
Chairman and Director (Non-executive)	2024	37,500	-	-	-	-	-	-	37,500	-
S Gallagher	**2025**	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**30,000**	**-**
Director (Non-executive)	2024	37,500	-	-	-	-	-	-	37,500	-
G Lukey [3]	**2025**	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**30,000**	**-**
Director (Non-executive)	2024	15,000	-	-	-	-	-	-	15,000	-
Executive Directors										
A Mills [4]	**2025**	**147,724**	**-**	**-**	**13,815**	**7,165**	**-**	**62,198**	**230,902**	**0%**
Executive Director / Interim Chief Executive Officer	2024	189,668	-	-	14,332	8,447	-	-	212,447	0%
T Alder [5]	**2025**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**
Managing Director and Chief Executive Officer	2024	233,008	-	-	13,699	(115,011)	-	-	131,696	0%
Executive Key Management Personnel										
M Wege [6]	**2025**	**134,335**	**-**	**-**	**15,098**	**2,993**	**-**	**8,758**	**161,184**	**0%**
Chief Financial Officer	2024	-	-	-	-	-	-	-	-	0%
T Spencer [7]	**2025**	**154,548**	**-**	**-**	**16,661**	**(10,488)**	**-**	**-**	**160,721**	**0%**
Chief Financial Officer	2024	246,772	-	-	26,862	(2,119)	-	-	271,515	0%
S Pearce [8]	**2025**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**
Chief Executive Officer	2024	-	-	-	-	-	-	-	-	0%
Total Consolidated, Non-executive Directors, Executive directors, and Executive Key Management Personnel	**2025**	**568,927**	**-**	**-**	**48,716**	**(330)**	**-**	**70,956**	**688,269**	**0%**
	2024	829,522	-	-	62,601	(108,683)	-	-	783,440	0%

[1] *Mr. Welborn ceased as a KMP on 17 December 2024.*
[2] *Mr. Abbott joined as KMP on 17 December 2024.*
[3] *Dr. Lukey joined as KMP on 1 December 2023.*
[4] *Mr. Mills joined as interim KMP on 22 September 2023 and ceased on 31 March 2024. Mr. Mills rejoined as KMP on 9 January 2025.*
[5] *Mr. Alder ceased as a KMP on 22 September 2023.*
[6] *Mr. Wege joined as KMP on 9 December 2024.*
[7] *Mr. Spencer ceased as KMP on 12 January 2025.*
[8] *Mr. Pearce joined as KMP on 30 June 2025.*

Table 2 – KMP share and equity holdings

Details of shares and options held by KMP including their personally related entities for the 2025 financial year are as follows:

	Type of equity	Opening holding at 1 July 2024 [1]	Options allocated in 2025	Options lapsed in 2025	Net Other changes [2]	Closing holding at 30 June 2025 [3]
Non-executive Directors						
J Welborn	Shares	2,216,785	-	-	277,099	2,493,884
	Options	500,000	-	-	-	500,000
K Abbott	Shares	105,000	-	-	13,125	118,125
	Options	25,000	-	-	-	25,000
S Gallagher	Shares	366,668	-	-	45,834	412,502
	Options	50,000	-	-	-	50,000
G Lukey	Shares	730,726	-	-	91,341	822,067
	Options	-	-	-	-	-
Executive Directors						
A Mills	Equity Rights	-	-	-	-	-
	Shares	-	-	-	3,461	3,461
	Options	-	1,000,000	-	-	1,000,000
Executive Key Management Personnel						
M Wege	Shares	-	-	-	-	-
	Options	-	500,000	-	-	500,000
T Spencer	Shares	-	-	-	-	-
	Options	-	-	-	-	-
S Pearce	Shares	-	-	-	-	-
	Options	-	-	-	-	-

[1] *Opening holding represents amounts carried forward in respect of KMP.*
[2] *Net Other changes include KMP participation in the equity placement during the year and other 'on-market' activity.*
[3] *Closing equity holdings represent unvested rights held at the end of the reporting period.*

End of Remuneration Report

Signed in accordance with a resolution of the Directors:

Kyle Abbott
Chairman

Dated at Perth, Western Australia 28 August 2025

Nexia Perth Audit Services Pty Ltd
Level 4, 88 William St
Perth WA 6000
GPO Box 2570
Perth WA 6001
E: info@nexiaperth.com.au
P: +61 8 9463 2463
F: +61 8 9463 2499

nexia.com.au

To the Board of Directors of Orbital Corporation Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead auditor for the audit of the financial statements of Orbital Corporation Limited for the financial year ended 30 June 2025, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

N.P.A.S.

Nexia Perth Audit Services Pty Ltd

Muranda Cornelius
Director

Perth, Western Australia
28 August 2025

CONSOLIDATED FINANCIAL STATEMENTS CONTENTS

Financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2025	2024
		$'000	$'000
Continuing operations			
Sale of goods		**6,909**	9,110
Engineering services revenue		**1,321**	3,456
Royalty and licence revenue		**3**	-
Interest revenue		**126**	98
Total revenue	A.2	**8,359**	12,664
Other income	A.3	**4,337**	3,054
Materials and consumables expenses	A.4(c)	**(4,243)**	(5,144)
Recovered excess inventory		**(484)**	372
Employee benefits expenses	A.4(a)	**(6,873)**	(7,496)
Depreciation expenses		**(659)**	(844)
Amortisation of intangibles	B.2	**(721)**	(408)
Engineering consumables and contractor expenses		**(1,078)**	(949)
Occupancy expenses		**(702)**	(446)
Travel and accommodation expenses		**(104)**	(135)
Communications and computing expenses		**(666)**	(684)
Patent expenses		**(167)**	(208)
Insurance expenses		**(612)**	(688)
Audit, compliance and listing expenses		**(391)**	(260)
Finance costs	A.4(b)	**(298)**	(334)
Bad debts recovered		**-**	185
Warranty expenses	E.1	**201**	1,667
Other expenses	A.4(d)	**(183)**	(159)
Foreign exchange gains/(losses)		**(13)**	(120)
Profit / (loss) before income tax		**(4,297)**	67
Income tax expense	A.5	**-**	-
Profit / (loss) for the year		**(4,297)**	67
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**2**	2
Total comprehensive profit / (loss) for the year		**(4,295)**	69
Earnings per share			
Basic profit / (loss) for the year attributable to ordinary equity holders of the parent (cents)	A.6	**(2.75)**	0.05
Diluted profit / (loss) for the year attributable to ordinary equity holders of the parent (cents)	A.6	**(2.75)**	0.05

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

ASSETS	Notes	**2025 $'000**	2024 $'000
Current assets			
Cash and cash equivalents	C.3	**1,080**	4,784
Other financial assets	C.5	**465**	748
Trade and other receivables	C.2	**1,769**	577
Contract assets	C.2	**-**	890
Inventories	C.1	**2,709**	4,020
Prepayments	C.2	**213**	322
Finance lease receivable	C.8	**507**	433
Total current assets		**6,743**	11,774
Non-current assets			
Intangibles	B.2	**5,207**	3,312
Plant and equipment	B.1	**963**	1,138
Inventories	C.1	**2,113**	2,896
Right-of-use asset	C.8	**2,051**	2,758
Finance lease receivable	C.8	**141**	332
Other receivables	C.2	**202**	21
Total non-current assets		**10,677**	10,457
Total assets		**17,420**	22,231
LIABILITIES			
Current liabilities			
Trade payables and other liabilities	C.6	**1,837**	1,660
Deferred revenue	C.7	**1,397**	1,330
Borrowings	D.1	**-**	2,438
Government grants	A.3	**189**	-
Lease liabilities	C.8	**890**	690
Provisions	E.1	**2,187**	2,265
Total current liabilities		**6,500**	8,383
Non-current liabilities			
Lease liabilities	C.8	**2,095**	2,945
Provisions	E.1	**259**	73
Total non-current liabilities		**2,354**	3,018
Total liabilities		**8,854**	11,401
Net assets		**8,566**	10,830
Equity			
Share capital	D.2	**47,163**	45,203
Options reserve	D.3	**1,104**	1,033
Reserves	D.4	**2,598**	2,596
Accumulated losses		**(42,299)**	(38,002)
Total equity		**8,566**	10,830

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2025

	Share capital	(Accumulated losses)	Employee equity benefits reserve	Foreign currency translation reserve	Option reserve	Total equity
Notes	**D.2**		**D.4**	**D.4**	**D.3**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2024	**45,203**	**(38,002)**	**2,652**	**(56)**	**1,033**	**10,830**
Loss for the year	**-**	**(4,297)**	**-**	**-**	**-**	**(4,297)**
Foreign currency translation	**-**	**-**	**-**	**2**	**-**	**2**
Total comprehensive profit / (loss) for the year	**-**	**(4,297)**	**-**	**2**	**-**	**(4,295)**
Issue of ordinary shares, net of costs	**1,919**	**-**	**-**	**-**	**-**	**1,919**
Issue of share options	**-**	**-**	**-**	**-**	**71**	**71**
Share based payments	**41**	**-**	**-**	**-**	**-**	**41**
At 30 June 2025	**47,163**	**(42,299)**	**2,652**	**(54)**	**1,104**	**8,566**
At 1 July 2023	41,380	(38,069)	2,652	(58)	1,033	6,938
Profit for the year	-	67	-	-	-	67
Foreign currency translation	-	-	-	2	-	2
Total comprehensive profit for the year	-	67	-	2	-	69
Issue of ordinary shares, net of costs	3,787	-	-	-	-	3,787
Issue of share options	-	-	-	-	-	-
Share based payments	36	-	-	-	-	36
At 30 June 2024	45,203	(38,002)	2,652	(56)	1,033	10,830

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2025 $'000	2024 $'000
Cash flows from operating activities			
Cash receipts from customers		**9,184**	14,211
Cash paid to suppliers and employees		**(13,839)**	(15,715)
Cash receipts from R&D rebates		**1,899**	1,442
Interest received		**126**	98
Interest paid		**(63)**	(70)
Net cash used in operating activities	C.3	**(2,693)**	(34)
Cash flows from investing activities			
Payments for financial instruments		**282**	4
Purchase of plant and equipment		**(176)**	(311)
Grant rebates received		**186**	364
Payments for intangible asset		**(2,802)**	(847)
Net cash used in investing activities		**(2,510)**	(790)
Cash flows from financing activities			
Proceeds from issues of shares and options	D.2	**2,008**	4,000
Share issue transaction costs		**(89)**	(213)
Principal elements of lease payments		**(429)**	(485)
Net cash from financing activities		**1,490**	3,302
Net decrease in cash and cash equivalents		**(3,713)**	2,478
Cash and cash equivalents at 1 July		**4,784**	2,292
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		**9**	14
Cash and cash equivalents at 30 June	C.3	**1,080**	4,784

The accompanying notes form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

1.A 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 28 August 2025. The Directors have the power to amend and reissue the financial statements.

1.B Statement of compliance

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 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 will not significantly impact the Group's accounting policies, financial position or performance.

1.C 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 the Foreign Currency Translation Reserve (FCTR), via Other Comprehensive Income (OCI). On disposal of a foreign operation, the component of FCTR relating to that particular foreign operation is reclassified to profit or loss.

1.D 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.

1.E 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.

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

1.F 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.

1.G 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 2025 the Group's strategy remained unchanged from 2024. The gearing ratio at 30 June 2025 was 0% (2024: 23%). Gearing ratios are calculated by dividing net debt (as per note D.1) 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
Section C	Liquidity risk
Section C	Interest rate risk
Section C	Credit risk
Section D	Capital risk management

1.H Key estimates and judgements

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management strategy, policy and key risk parameters.

Note A.5	Recoverability of deferred tax assets
Note B.1	Impairment of non-current assets
Note C.1	Recoverability of inventories

1.I 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, and existing cash reserves held as at 30 June 2025.

For the year ended 30 June 2025, the Group recorded an after tax loss of $4,297,000 (2024: after tax profit $67,000) and operating cash outflows of $2,693,000 (2024: $34,000). As at 30 June 2025 the Group had net assets of $8,566,000 (2024: $10,830,000) and net current assets of $243,000 (2024: $3,391,000).

The Group also had cash outflows from investing activities of $2,510,000 (2024: $790,000) and cash inflows from financing activities of $1,490,000 (2024: $3,302,000) leading to net cash outflows for the year ended 30 June 2025 of $3,713,000 (2024: cash inflows $2,478,000).

The going concern assumption is based on the Group's cash flow projections and existing cash reserves as at 30 June 2025 and covers a period of at least twelve months from the date of this report.

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

- Successful continued development of new engine models, leading to further committed engineering and production revenues;
- Achieving forecasted operational performance and positive operational cash flows from the existing engine production and engineering programs;
- Reducing overheads through cost saving initiatives; and
- Securing funding above and beyond the Group's existing committed facilities if required.

Subsequent to the reporting date, the Group raised additional capital of $3 million, as disclosed in Note F.10. This capital further strengthens the Group's liquidity position and provides additional funding support for ongoing operations, which has been considered in assessing the appropriateness of the going concern basis of preparation.

In the event of the above not being achieved, there exists a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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.

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.

Exposure

The Group's exposure to USD at the reporting date for the years ended 30 June 2025 and 2024 are as follows:

	2025 A$'000	2024 A$'000
Financial assets		
Cash and cash equivalents	**648**	476
Trade and other receivables	**379**	140
Financial liabilities		
Trade and other payables	**147**	220
Net exposure	**880**	396

The Group has foreign currency hedging facilities available as part of its bank facilities. The Group enters into forward exchange contracts to hedge the foreign currency risk associated with known and committed short-term receivables denominated in foreign currencies. These receivables primarily relate to export sales with settlement terms of less than 12 months.

As of 30 June 2025, the Company was exposed to foreign currency risk primarily arising from a USD- denominated receivable, expected to settle in February 2026, and its value is subject to fluctuations in the USD exchange rate. To mitigate the risk, on the 24 July 2025 the Group entered into a forward exchange contract to hedge the USD exposure related to the receivable.

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.

			2025 A$'000	2024 A$'000
Change in AUD/USD rate	+10%	Increase / (reduction) on profit before tax	**(80)**	(36)
Change in AUD/USD rate	-10%	Increase / (reduction) on profit before tax	**98**	44

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

for the year ended 30 June 2025 and 2024	Australia		US		Consolidated	
	2025	2024	**2025**	2024	**2025**	2024
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue	**8,359**	12,664	**-**	-	**8,359**	12,664
EBIT	**(3,894)**	569	**(105)**	(168)	**(3,999)**	401
Finance expenses	**(242)**	(265)	**(56)**	(69)	**(298)**	(334)
Profit / (loss) before income tax	**(4,136)**	304	**(161)**	(237)	**(4,297)**	67

	Australia		US		Consolidated	
	2025	2024	**2025**	2024	**2025**	2024
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Assets	**16,482**	21,125	**938**	1,106	**17,420**	22,231
Liabilities	**7,998**	10,237	**856**	1,164	**8,854**	11,401
Net assets	**8,484**	10,888	**82**	(58)	**8,566**	10,830

A.2 Revenue

	Australia		US		Consolidated	
	2025	2024	**2025**	2024	**2025**	2024
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**8,359**	12,664	**-**	-	**8,359**	12,664
Total external revenue	**8,359**	12,664	**-**	-	**8,359**	12,664
Timing of revenue recognition						
At a point in time	**7,038**	9,208	**-**	-	**7,038**	9,208
Over time	**1,321**	3,456	**-**	-	**1,321**	3,456
	8,359	12,664	**-**	-	**8,359**	12,664

Revenues of approximately $3,973,000 (2024: $9,887,000) were 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.
Revenue for goods sold but not delivered is recognised if:
(a) the reason for the bill-and-hold arrangement must be substantive;
(b) the product must be identified separately as belonging to the customer;
(c) the product currently must be ready for physical transfer to the customer:
(d) the entity cannot have the ability to use the product or to direct it to another customer.
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.

- **Interest income**

Interest income is recorded using the effective interest rate method ("EIR"), which 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:

	2025	2024
	$'000	$'000
Contract Liabilities		
Deferred revenue	**1,397**	1,330

Refer to Note c.7 deferred revenue for a breakdown of deferred revenue recognised in the current year.

A.3 Other income

	2025	2024
	$'000	$'000
Grant income	**2,486**	1,500
Rental income	**158**	94
Research and development grant	**1,710**	1,442
Other	**(17)**	18
	4,337	3,054

Recognition and measurement

- **Grant income**

In December 2024, the Group achieved the relevant operational milestones and reduced the WA government loan value to nil. Accounting standards require interest to be imputed while the loan is interest free. The benefit of the loan reduction of $2.5M and it being interest free $0.05M are recognised as grant income, in accordance with AASB 120 Accounting for Government Grants. Refer to Note D.1 for further details.

- **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 met. Grants relates to an asset are recognised as a reduction in the related asset, while grants related to an expense item are recognised as income on a systematic basis over the periods that the related costs that are compensated.

- **Defence industry development grant**

In February 2025, the Group secured $0.5M grant from the Australian Government through the Defence Industry Development Grant program towards construction of a heavy duty engine test facility. An advance payment of $ 0.2M was received on 5 March 2025. As of 30 June 2025 the asset has not been acquired. Accordingly, no revenue has been recognised.

- **Other income**

The other income represents sales income or loss from asset disposals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

A. CURRENT YEAR PERFORMANCE

A.4 Expenses

(a) Employee benefits expense

	2025 $'000	2024 $'000
Salaries and wages	**4,339**	5,409
Defined contribution plans	**755**	778
Share based payments (Note D.3, F.3)	**112**	36
Annual and long service leave	**997**	722
Other personnel costs	**670**	551
	6,873	7,496

(b) Finance costs

	2025 $'000	2024 $'000
Interest expense	**298**	334
	298	334

(c) Materials and consumable expenses

	2025 $'000	2024 $'000
Raw materials and consumables	**2,932**	3,184
Change in inventories	**1,311**	1,960
	4,243	5,144

(d) Other expenses

	2025 $'000	2024 $'000
Administration	**81**	84
Marketing and investor relations	**38**	5
Freight	**36**	40
Other	**28**	30
	183	159

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.5 Taxes

The major components of the income tax expense for the years ended 30 June 2025 and 2024 are:

	2025 $'000	2024 $'000
Deferred income tax expense	**-**	-
Total income tax expense	**-**	-

The reconciliation of the income tax benefits/(expenses) and accounting profit multiplied by the Australian domestic tax rate for the years ended 30 June 2025 and 2024 are:

	2025 $'000	2024 $'000
Accounting profit/(loss) before tax from continuing operations	**(4,297)**	67
Accounting profit/(loss) before income tax	**(4,297)**	67
At Australia's statutory income tax rate of 25.0% (2024: 25.0%)	**1,074**	(17)
Non assessable income	**(1,049)**	(736)
Expenses subject to R&D tax incentive	**1,200**	1,175
Non-deductible expenses	**46**	51
Deferred tax asset not recognised	**(1,271)**	(473)
Income tax expense	**-**	-
Income tax expense reported in the statement of profit or loss	**-**	-

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

	2025 $'000	2024 $'000
Inventory	**337**	416
Revenue received in advance	**349**	110
Plant and equipment	**(19)**	(76)
Provisions and accruals	**567**	774
Intangible asset	**(1,302)**	(828)
ROU leasing assets	**93**	120
ROU leasing liabilities	**(110)**	(123)
Foreign exchange gains/losses	**(2)**	2
Other	**(14)**	42
Unrecognised temporary differences	**101**	(437)
Tax losses	**-**	-
Net deferred tax asset	**-**	-

The Group has unused tax losses that arose in Australia, for which no deferred tax assets have been recognised of $54,256,785 (2024: $52,194,180) and are available indefinitely for offsetting against future taxable profits of the Group and its controlled entities in which those losses arose.

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 2025, the Group had unused tax losses for which no deferred tax assets have been recognised of US$346,000 (2024: US$4,246,000).

A. CURRENT YEAR PERFORMANCE

A.5 Taxes (continued)

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.

- **Deferred tax liabilities**

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**

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 2025, the Group recognised nil (2024: nil) of deferred tax assets after assessing the likelihood of offsetting unused tax losses against future taxable profits.

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% 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:

	2025	2024
	$'000	$'000
Profit/(loss) for the year ended attributable to ordinary equity holders of the Parent:		
Continuing operations	**(4,297)**	67

	2025	2024
	Number	Number
Weighted average number of ordinary shares for basic EPS	**156,473,782**	137,892,988
Weighted average number of ordinary shares adjusted for the effect of dilution	**156,473,782**	137,892,988

Earnings per share		
	Cents	Cents
Basic profit/(loss) per share	**(2.75)**	0.05
Diluted profit/(loss) per share	**(2.75)**	0.05

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

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

The following potential ordinary shares were not considered dilutive and remain contingently issuable:

	2025	2024
	Number	Number
Options	**19,000,000**	17,500,000
Performance rights	**-**	-
Total	**19,000,000**	17,500,000

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	Leasehold improvements	Total
	$'000	$'000	$'000
Gross carrying amount at cost			
At 30 June 2023	13,850	2,632	16,482
Additions	219	92	311
Disposals	(234)	-	(234)
At 30 June 2024	13,835	2,724	16,559
Additions	**139**	**37**	**176**
Disposals	**(250)**	**-**	**(250)**
At 30 June 2025	**13,724**	**2,761**	**16,485**
Depreciation and impairment			
At 30 June 2023	(12,757)	(2,426)	(15,183)
Depreciation	(359)	(36)	(395)
At 30 June 2024	(12,959)	(2,462)	(15,421)
Depreciation	**(278)**	**(44)**	**(322)**
Disposals	**221**	**-**	**221**
At 30 June 2025	**(13,016)**	**(2,506)**	**(15,522)**
Net book value			
At 30 June 2025	**708**	**255**	**963**
At 30 June 2024	876	262	1,138

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.

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 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, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risks. For fair value less costs of disposal, consideration is given to recent market transactions; where such data is unavailable, an appropriate valuation model is applied. These calculations are supported by valuation multiples, quoted share prices of publicly traded companies, or other relevant fair value indicators.

B. GROWTH ASSETS

B.1 Plant and equipment (continued)

Key estimate – Impairment of non-current assets
When indicators of impairment are identified, 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.

During the year ended 30 June 2021 the Group ceased production activities in the US and transitioned operations to Australia. As a result, the US CGUs became idle and were written down to nil value. As at 30 June 2025 no impairment indicators or reversals were identified, and remaining assets are expected to be fully recoverable.

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.2 Intangible assets

	2025	2024
	$'000	$'000
Cost	**10,178**	7,376
Accumulated amortisation and impairment	**(2,276)**	(1,555)
R&D tax offset recognised	**(2,695)**	(2,509)
Net carrying amount	**5,207**	3,312
Movement		
Net carrying amount at the beginning of the year	**3,312**	3,238
Additions	**2,802**	846
Amortisation for the year	**(721)**	(408)
R&D tax offset recognised	**(186)**	(364)
Net carrying amount at the end of the year	**5,207**	3,312

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

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
Internally generated intangible

Useful life
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 2025, the Group has a total of $1,080,000 of cash at its disposal (2024: $4,784,000) and a net current asset position $243,000 (2024 net current asset: $3,391,000). The remaining contractual maturities of the Group's financial liabilities are:

	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total contractual cashflows	Carrying amount (assets) / liabilities
	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2025						
Borrowings	**-**	**-**	**-**	**-**	**-**	**-**
Trade payables and other liabilities	**1,837**	**-**	**-**	**-**	**1,837**	**1,837**
Lease liabilities	**277**	**841**	**3,578**	**-**	**4,696**	**2,985**
	2,114	**841**	**3,578**	**-**	**6,533**	**4,822**
At 30 June 2024						
Borrowings	-	2,486	-	-	2,486	2,438
Trade payables and other liabilities	1,660	-	-	-	1,660	1,660
Lease liabilities	228	749	4,149	482	5,608	3,635
	1,888	3,235	4,149	482	9,754	7,733

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 2025 is as follows:

	2025	2024
	$'000	$'000
Cash and cash equivalents (Note C.3)	**1,080**	4,784
Short-term deposits (Note C.5)	**465**	748
	1,545	5,532

A reasonably possible change in the interest rate (+0.5%/-0.5%) (2024: +0.5%/-0.5%)), with all variables held constant, would have resulted in a change in post tax profit/(loss) of $5,000/($5,000) (2024: $24,000)/($24,000) and no impact to other comprehensive income.

C. WORKING CAPITAL MANAGEMENT

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 2025 and 2024 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

	2025	2024
	$'000	$'000
Raw materials	**5,134**	6,304
Provision for impairment	**(1,346)**	(1,664)
Work in progress	**1,034**	2,171
Finished goods	**-**	105
	4,822	6,916
Current	**2,709**	4,020
Non current	**2,113**	2,896
	4,822	6,916

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.

Key estimate – Recoverability of inventories
The Group's inventories are predominantly composed of purchased parts used in the construction of engines for sale. The recoverability of inventories is therefore highly dependent on the level of expected future orders of those engines by the Group's customers. The estimate of engine sales used in the calculation of the provision recognised at reporting date is informed by discussions with the Group's customers as to expected volume requirements for the engine programs.

C. WORKING CAPITAL MANAGEMENT

C.2 Trade, other receivables and prepayments

	2025	2024
	$'000	$'000
Trade receivables	1,769	392
Contract assets	-	890
Other receivables	-	849
Impairment of other receivables (a)	-	(849)
Recovery of bad debt (a)	-	185
Retention receivable	202	21
Prepayments	213	322
	2,184	1,810
Current	1,982	1,789
Non current	202	21
	2,184	1,810

(a) At 30 June 2024, the Group had $664,000 as a provision for impaired receivables in respect of an amount receivable from Avidsys Pty Ltd as consideration for the disposal of REMSAFE Pty Ltd on 18 December 2017, where receivables of $185,000 were recovered as of 30 June 2024. 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.

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

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. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there is no material impairment in the current year.

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

C. WORKING CAPITAL MANAGEMENT

C.3 Cash and cash equivalents

	2025	2024
	$'000	$'000
Cash at bank	**1,080**	4,784
	1,080	4,784

The reconciliation of net loss after tax to net cash flows from operations for the years ended 30 June 2025 and 2024 is as follows:

	2025	2024
	$'000	$'000
Profit/(loss) after income tax from continuing operations	**(4,297)**	67
Profit/(loss) after income tax	**(4,297)**	67
Depreciation & amortisation (Note B.1, B.2)	**1,072**	880
Government loan forgiven	**(2,438)**	(1,358)
Provision for excess stock	**(318)**	(893)
Warranties (Note E.1)	**(201)**	(1,667)
Employee benefits (Note E.1)	**128**	(163)
Provision for doubtful debt	**(664)**	(185)
Share based payment expense (Note D.3, F.3)	**112**	36
Net foreign exchange gain	**12**	108
Net cash used in operating activities before changes in assets and liabilities	**(6,594)**	(3,175)
Changes in assets and liabilities during the year:		
Decrease/(increase) in receivables and prepayments	**(414)**	1,494
(Increase)/decrease in inventories	**2,412**	2,195
Increase/(decrease) in payables	**1,903**	(548)
	3,901	3,141
Net cash used in operating activities	**(2,693)**	(34)

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.

C.4 Non-cash investing and financing activities

	2025	2024
	$'000	$'000
Additions to the right-of use assets	**(708)**	1,617
Additions to the finance lease receivable	**(118)**	82
Changes in borrowings	**2,438**	1,358
Changes in lease liabilities	**650**	(1,800)
Shares issued under employee share plan	**41**	36
	2,304	1,293

C. WORKING CAPITAL MANAGEMENT

C.5 Other financial assets

	2025	2024
	$'000	$'000
Short-term deposits	**465**	748
	465	748

The Group has pledged short term deposits of $465,000 (2024: $748,000) as collateral for financing and lease facilities.

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.6 Trade and other payables

	2025	2024
	$'000	$'000
Trade payables	**1,706**	1,552
Taxes payable	**131**	108
	1,837	1,660

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.7 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 year ended 30 June 2025 and 2024 is as follows:

	2025	2024
	$'000	$'000
At 1 July	**1,330**	1,243
Deferred during the year	**3,673**	6,666
Released to the statement of profit or loss	**(3,606)**	(6,579)
At 30 June	**1,397**	1,330

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.8 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.

Sub leases have been recognised as Finance Lease Receivables 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:

Right-of-use assets	**2025**	2024
	$'000	$'000
Properties	**2,051**	2,758
Total right-of-use assets	**2,051**	2,758

Finance Lease Receivable	**2025**	2024
	$'000	$'000
Current	**507**	433
Non Current	**141**	332
	648	765

Lease Liabilities	**2025**	2024
	$'000	$'000
Current	**890**	690
Non Current	**2,095**	2,945
	2,985	3,635

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

	2025	2024
	$'000	$'000
Depreciation charge of right-of-use assets	**337**	449
Interest expense (included in finance cost)	**214**	152
Interest income	-	-

The total cash outflow for leases in 2025 was $429,000 (2024: $485,000).

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 applied and the key estimates and judgements made.

Financial and capital risk 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

Changes in borrowings arising from financing activities:	**2025 $'000**	2024 $'000
Net carrying amount at the beginning of the period	2,438	3,796
Loan forgiveness grant income	(2,486)	(1,500)
Interest expenses	48	142
At 30 June 2025	**-**	2,438
Current	-	2,438
Non-current	-	-
	-	2,438

On 25 January 2010, the Department of Jobs, Tourism, Science and Innovation (JTSI) provided the Group with an interest-free loan of $14,346,000 under a Deed (Acknowledgement of Debt) ("the Deed").

The loan was initially due to mature on 30 May 2025. At 30 June 2021, the $9.9M balance was reclassified as current borrowings while the terms were under renegotiation. A Deed of Variation was executed on 31 January 2023, reducing the term to 31 December 2024 and introducing repayment offset provisions linked to operational milestones.

As of December 2024, the Group met the required milestones and repaid the loan in full through offsets.

The benefit of loan forgiveness is recognised as grant income under AASB 120. Additionally, $0.3M relating to the extension of interest-free terms was recognised as grant income on the contract’s effective date, in line with AASB 120’s imputed interest requirements.

The loan was secured by a first-ranking floating debenture over all Group assets and undertakings.

On 21 February 2025 the Group established a $2M standby working capital loan facility with its two largest shareholders to provide further financial capacity to continue the Group's new product development activities. As at the date of this report, the loan facility was undrawn.

On 28 July 2025, the Group entered into a financing arrangement with Radium Capital, receiving an advance of $1.1M secured against its anticipated R&D tax incentive refund for the financial year ending 30 June 2025. At the reporting date, no R&D rebate receivable was recognised. The advance provides additional working capital to support ongoing R&D activities.

D. DEBT AND CAPITAL

D.2 Share capital

		2025		2024
		$'000		$'000
Ordinary shares issued and fully paid		**47,163**		45,203
Movement in ordinary shares	**Number**	**$'000**	Number	$'000
At the beginning of the year	**146,056,915**	**45,203**	117,235,304	41,380
Issue of ordinary shares	**18,258,896**	**2,008**	28,571,429	4,000
Share issue transaction costs	**-**	**(89)**	-	(213)
Employee Share plan	**463,906**	**41**	250,182	36
At the end of the year	**164,779,717**	**47,163**	146,056,915	45,203

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.3 Options reserve

		2025		2024
		$'000		$'000
Issued Options		**1,104**		1,033
Movement in options	**Number**	**$'000**	Number	$'000
At the beginning of the year	**17,500,000**	**1,033**	17,500,000	1,033
Issue of options	**1,500,000**	**71**	-	-
At the end of the year	**19,000,000**	**1,104**	17,500,000	1,033

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

As part of the new options issued during the 2025 fiscal year:

- 500,000 new Options were issued for nil cash consideration and were valued at $52,500 using the Black Scholes method of calculation at acceptance date 11 December 2024. A volatility rate of 99.11% and a risk-free rate of 4.01% was used in the calculation. The options are exercisable at nil price on or before the expiry date that is 5 years after the date of issue. The options vested on 30 June 2025.

- 500,000 new Options were issued for nil cash consideration and were valued at $37,819 using the Black Scholes method of calculation at acceptance date of 11 December 2024. A volatility rate of 101.28% and a risk-free rate of 4.01% was used in the calculation. The options are exercisable at $0.14 on or before the expiry date that is 5 years after the date of issue.

- 500,000 new Options were issued for nil cash consideration and were valued at $50,000 using the Black Scholes method of calculation at acceptance date of 24 December 2024. A volatility rate of 101.51% and a risk-free rate of 4.01% was used in the calculation. The options are exercisable at nil price on or before the expiry date that is 5 years after the date of issue.

The options value is amortised over the vested period.

D. DEBT AND CAPITAL

D.4 Reserves

	Employee benefits reserve	Foreign currency translation reserve	Total
	$'000	**$'000**	**$'000**
At 1 July 2023	2,652	(58)	2,594
Foreign currency translation	-	2	2
Rights issued pursuant to performance rights plan	-	-	-
At 30 June 2024	2,652	(56)	2,596
	.		
At 1 July 2024	**2,652**	**(56)**	**2,596**
Foreign currency translation	**-**	**2**	**2**
Rights issued pursuant to performance rights plan	**-**	**-**	**-**
At 30 June 2025	**2,652**	**(54)**	**2,598**

Nature and purpose of reserves

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

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

E. 1 Provisions

	Warranties	Contract performance liabilities	Employee benefits	Total
	$000's	$000's	$000's	$000's
At 1 July 2024	**1,202**	**21**	**1,115**	**2,338**
Arising during the year	30	181	965	1,176
Utilised	(17)	-	(837)	**(854)**
Expired	(214)	-	-	(214)
At 30 June 2025	**1,001**	**202**	**1,243**	**2,446**
Current	1,001	-	1,186	2,187
Non-current	-	202	57	259
	1,001	**202**	**1,243**	**2,446**
At 1 July 2023	2,869	-	1,278	4,147
Arising during the year	125	21	483	629
Utilised	-	-	(646)	(646)
Expired	(1,792)	-	-	(1,792)
At 30 June 2024	1,202	21	1,115	2,338
Current	1,202	-	1,063	2,265
Non-current	-	21	52	73
	1,202	21	1,115	2,338

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.1 Key management personnel compensation

Compensation of key management personnel of the group

	2025	2024
	$	$
Short term employee benefits	**568,927**	829,522
Post-employment benefits	**48,716**	62,601
Long-term employee benefits	**(330)**	(108,683)
Share based payments	**70,956**	-
	688,269	783,440

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 1 and table 2 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.

Loans from related parties
The Group has an unsecured $2M standby working capital facility with its two largest shareholders. The establishment of the standby facility secures an additional source of working capital should the Group decide to accelerate further investments in product development. Interest on any funds drawn down will be incurred at an interest rate of 3-month bank bill rate plus a 2% margin. The facility is available from 21 February 2025 to 21 February 2028.

F.3 Share based payments

	2025	2024
	$'000	$'000
Equity-settled share based payment transactions	**41**	36
	41	36

There were no cancellations or modifications to awards in the 2025 or 2024 financial years. Share based payment plans are explained below:

Employee share plan
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 2025, the Group issued 463,906 ordinary shares (2024: 250,182 ordinary shares) at a market value on the date of issue of $41,288 (2024: $35,776).

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, with a corresponding increase in equity over the vesting period – the period in which the service and, where applicable, the performance conditions, are fulfilled.

F. OTHER NOTES

F.3 Share based payments (continued)

The cost arising from share based payments is recognised as an employee benefits expense, with a corresponding increase in equity over the vesting period – the period in which the service and, where applicable, the performance conditions, are fulfilled.

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.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 2025	2024
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 Autogas Systems 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	Dormant	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 activities are 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 activities specialise 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. OTHER NOTES

F.5 Parent entity information

	2025 $'000	2024 $'000
Current assets	-	-
Non-current assets	7,702	7,661
Current liabilities	-	2,438
Non-current liabilities	-	-
Net assets	**7,702**	5,223
Issued capital	47,163	45,203
Share Options Reserve	1,104	1,033
Accumulated losses	(43,217)	(43,665)
Employee benefits reserve	2,652	2,652
Total equity	**7,702**	5,223
Profit / (loss) of the parent	2,366	1,541
Total comprehensive profit/ (loss) of the parent entity	2,366	1,541

F.6 Auditor remuneration

During the year the following fees were paid or payable for services provided by Nexia Perth Audit Services Pty Ltd (2024: Nexia Perth Audit Services Pty Ltd) as the auditor of the Group, and other network firms:

	2025 $	2024 $
Audit and review services		
Auditors of the Group – Nexia Perth Audit Services Pty Ltd		
Audit and review of financial statements	106,500	97,638
	106,500	97,638
Other Services		
Tax advisors of the Group – Nexia Perth Pty Ltd		
Tax compliance services	20,800	20,000
Taxation advice	7,000	-
CohnReznick Advisory LLC		
Tax compliance services	48,682	-
	76,482	20,000
Total Auditors remuneration	**182,982**	117,638

F.7 Contingent assets

The group had no contingent assets as at 30 June 2025 and 30 June 2024.

F.8 Contingent liabilities

The group had no contingent liabilities as at 30 June 2025 and 30 June 2024.

F.9 Commitments

The group had no commitments that are not recognised as liabilities as at 30 June 2025 and 30 June 2024.

F. OTHER NOTES

F.10 Events after the end of the reporting period

Hedge contract
On 24 July 2025, subsequent to the reporting date, the Company entered into a forward exchange contract to hedge the foreign currency risk exposure relating to USD receivables. The contract has a notional amount of $643,000, and maturity date of 27 February 2026. As this transaction was entered into after the reporting date, it is classified as non-adjusting event under IAS 10 *Events After the Reporting Period*. This contract is expected to qualify for hedge accounting under IFRS 9 in the next reporting period.

Advance funding of R&D rebate
On 28 July 2025 the Group entered into a financing arrangement with Radium Capital, receiving an advance of $1.1M secured against its anticipated R&D tax incentive refund for the financial year ending 30 June 2025. At the reporting date, no R&D rebate receivable was recognised. The facility bears interest at 1.33% per month and is repayable upon receipt of the R&D refund from the Australian Taxation Office ("ATO"). The advance provides additional working capital to support ongoing R&D activities.

Capital raise
On 21 August 2025 the Group received firm commitments for a capital raising of $3.0M (before costs), to be completed via the issue of 14.3 million new fully paid ordinary shares at an issue price of $0.21 per new share. The shares are expected to be issued on or about 28 August 2025 under the Company’s existing placement capacity pursuant to ASX Listing Rule 7.1. The funds will support the next phase of growth and execution of the Group’s business plan. In connection with the placement, the lead advisor was issued 3,000,000 options at an exercise price of $0.40 and exercisable by 31 December 2026.

Other than the above, there are no material subsequent events that require disclosure in the consolidated financial statements.

F.11 Other accounting policies

Group 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.12 New accounting standards

New standards and interpretations
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted for the annual reporting period ended 30 June 2025.

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.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

AS AT 30 JUNE 2025

Name of entity	Type of entity	Trustee, partner, or participant in joint venture	% of share capital held	Australian resident or foreign resident (for tax purposes)	Foreign tax jurisdiction(s) of foreign residents
Orbital Corporation Limited	Body corporate	n/a	100%	Australia	n/a
Orbital Australia Pty Ltd	Body corporate	n/a	100%	Australia	n/a
Orbital Australia Manufacturing Pty Ltd	Body corporate	n/a	100%	Australia	n/a
OEC Pty Ltd	Body corporate	n/a	100%	Australia	n/a
S T Management Pty Ltd	Body corporate	n/a	100%	Australia	n/a
OFT Australia Pty Ltd	Body corporate	n/a	100%	Australia	n/a
Investment Development Funding Pty Ltd	Body corporate	n/a	100%	Australia	n/a
Power Investment Funding Pty Ltd	Body corporate	n/a	100%	Australia	n/a
Kala Technologies Pty Ltd	Body corporate	n/a	100%	Australia	n/a
Orbital Autogas Systems Pty Ltd	Body corporate	n/a	100%	Australia	n/a
Orbital Share Plan Pty Ltd	Body corporate	n/a	100%	Australia	n/a
Orbital Holdings (USA) Inc.	Body corporate	n/a	100%	Foreign	United States
Orbital Fluid Technologies Inc.	Body corporate	n/a	100%	Foreign	United States
Orbital UAV USA, LLC	Body corporate	n/a	100%	Foreign	United States

Orbital Corporation (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

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 2025 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 1.B.

(c) Other than the matters raised in Note 1.I here are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) The information disclosed in the attached consolidated entity disclosure statement is true and correct.

2. This declaration has been made after receiving the declaration required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001, from the Chief Financial Officer for the financial year 30 June 2025.

On behalf of the Board,

Kyle Abbott
Chairman

Dated at Perth, Western Australia 28 August 2025

Nexia Australia

Nexia Perth Audit Services Pty Ltd
Level 4, 88 William St
Perth WA 6000
GPO Box 2570
Perth WA 6001
E: info@nexiaperth.com.au
P: +61 8 9463 2463
F: +61 8 9463 2499

nexia.com.au

Independent Auditor's Report to the Members of Orbital Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orbital Corporation Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2025 the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial statements of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2025 and of its performance for the year then ended; and

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

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 statements section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1.I in the financial statements, which indicates that the Group recorded an after tax loss of $4,297,000 (2024: after tax profit of $67,000) and operating cash outflows of $2,693,000 (2024: $34,000). As at 30 June 2025, the Group had net assets of $8,566,000 (2024: $10,830,000) and net current assets of $243,000 (2024: $3,391,000). The Group also had cash outflows from investing activities of $2,510,000 (2024: $790,000) and cash inflows from financing activities of $1,490,000 (2024: $3,302,000). As stated in Note 1.I, these events or conditions, along with other matters set forth in Note 1.I, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of Inventories ***Refer to note C.1*** As at 30 June 2025, the Group held inventories with a carrying value of $4,822,000, comprising of raw materials and work in progress which will be used in the construction of engines. In accordance with AASB 102 *Inventories* ("AASB 102"), inventories shall be measured at the lower of cost and net realisable value. As at 30 June 2025, the Group recognised a provision of $1,346,000 to reduce the carrying value of certain items of inventory to its net realisable value, as required by Australian Accounting Standards. Valuation of inventories was a key audit matter due to the carrying value of inventories and related provisions being material to the financial report and because the valuation of inventories requires management judgment relating to future sales and the level of provision for inventory obsolescence.	Our procedures included, amongst others: • assessed the application of inventory costing methodologies and whether this was consistent with the requirements of AASB 102; • agreed the cost of a sample of inventory items to supplier invoices; • on a sample basis, evaluated the direct labour costs allocated to engines in inventories by inspecting timesheets and agreeing the labour cost to payroll data; • on a sample basis, recalculated the mathematical accuracy of weighted average and standard cost and matched to closing cost per the inventory report; • checked the accuracy of allocation of overhead costs per the basis of calculation determined by the management; • evaluated whether inventories were carried at the lower of cost and net realisable value, by comparing the cost of inventories in each engine's respective final bill of material against sale prices in customer contracts; • checked the adequacy for provision for obsolete and slow moving stocks based on future use of those inventory for production or rework; and • evaluated the adequacy of the disclosures made in Note C.1 in the light of the requirements of AASB 102.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2025, but does not include the financial statements and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial statements

The directors of the Company are responsible for the preparation of:

a) the financial statements (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial statements (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability 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 statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 this financial statements.

A further description of our responsibilities for the audit of the financial statements is located at The Australian Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

Nexia Australia

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 14 of the Directors' Report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of Orbital Corporation Limited for the year ended 30 June 2025 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.

N.P.A.S.

Nexia Perth Audit Services Pty Ltd

Muranda Cornelius
Director

Perth, Western Australia
28 August 2025

SHAREHOLDING DETAILS

Class of Shares and Voting Rights

As at 30 June 2025 there were 4,746 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 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 30 June 2025

J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	**54,301,903**	**33.13%**
BONEYARD INVESTMENTS PTY LTD	**27,525,655**	**16.79%**
CITICORP NOMINEES PTY LIMITED	**7,531,152**	**4.59%**

Distribution of Shareholdings as at 30 June 2025

1-1,000	2,471
1,001-5,000	1,129
5,001-10,000	418
10,001-100,000	616
100,001 and over	112
Number of shareholders	**4,746**
Total Shares on Issue	**163,904,426**
Number of unmarketable parcels	**3,937,987**

Top 20 Shareholders as at 30 June 2025

		NUMBER OF SHARES HELD	% OF SHARES
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	54,301,903	33.13
2	BONEYARD INVESTMENTS PTY LTD	27,525,655	16.79
3	CITICORP NOMINEES PTY LIMITED	7,531,152	4.59
4	ANNAPURNA PTY LTD	3,074,167	1.88
5	MR ANTHONY SHANE KITTEL & MRS MICHELE THERESE KITTEL	2,853,717	1.74
6	BNP PARIBAS NOMINEES PTY LTD	2,105,623	1.28
7	DEBUSCEY PTY LTD	1,850,000	1.13
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,785,863	1.09
9	BIRKETU PTY LTD	1,455,688	0.89
10	MR KENT MILLER LOGIE	1,354,603	0.83
11	MR JOHN PAUL WELBORN	1,349,303	0.82
12	JEKL HOLDINGS PTY LTD	1,325,000	0.81
13	MR ROBERT BRYDON RUDD	1,100,000	0.67
14	MR PETER DAVID MION	1,058,328	0.65
15	MR MICHAEL WILLIAM FORD & MRS NINA BETTE FORD	1,039,105	0.64
16	VULCAN INVESTMENTS PTY LTD	900,000	0.55
17	MR JOHN PAUL WELBORN & MS CAROLINE ANNE WELBORN	891,323	0.54
18	ARREDO PTY LTD	850,000	0.52
19	MAGLO INVESTMENTS PTY LTD	822,067	0.50
20	MR GORDON MENZIES WILSON	751,165	0.46
Top 20 Shareholders Total		**113,924,662**	**69.51**

The 20 largest shareholders hold 69.51% of the ordinary shares of the Company (2024: 71.74%).

On-market share buy-back

There is no current on-market buy-back.

CORPORATE INFORMATION

ABN 32 009 344 058

REGISTERED AND PRINCIPAL OFFICE

4 Whipple Street
Balcatta, Western Australia 6021
Australia

CONTACT DETAILS

Australia

Telephone: 61 (08) 9441 2311
contact@orbitalcorp.com.au
USA
Address: 210 Wasco Loop, Hood River, OR 97031, USA
info@orbitaluav.com

INTERNET ADDRESS

www.orbitaluav.com

DIRECTORS

F.K. Abbott, Chairman
S.B. Gallagher
G. Lukey
A. Mills

COMPANY SECRETARY

M. C. Wege

SHARE REGISTRY

MUFG Corporate Markets (AU) Limited

Level 4 Central Park
152 St Georges Terrace
Perth, Western Australia 6000
Telephone: 61 (08) 9211 6670

SHARE TRADING FACILITIES

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

AUDITORS

Nexia Perth Audit Services Pty Ltd

Level 4, 88 William Street
Perth, Western Australia 6000