ORBITAL UAV

ASX ANNOUNCEMENT

31 August 2026

APPENDIX 4E

Preliminary Final Report for the year ended 30 June 2026

Reporting Period

The reporting period is for the year ended 30 June 2026 with the corresponding reporting period being for the year ended 30 June 2025.

Results for announcement to the market

				30 June 2026 A$'000
Revenue from continuing operations	Down	**-25%**	To	**6,161**
Loss for the year	Down	**11%**	To	**(4,759)**
Loss after tax attributable to members	Down	**11%**	To	**(4,759)**

	30 June 2026	30 June 2025
Net tangible assets per share (cents)	**(0.62)**	**0.79**

Dividends

There is no proposal to pay dividends for the year ended 30 June 2026.

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.

Annual Meeting

The annual meeting is expected to be held as follows:

Place: Stirling leisure Centre
Mirrabooka, Western Australia

Date: 19 November 2026

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.

2026 ANNUAL REPORT

CONTENTS

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 2026

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 2026 and the auditor's report thereon.

OPERATING AND FINANCIAL REVIEW

Strategic outcomes

FY2026 was a year of significant strategic change for Orbital Corporation Limited (Orbital or the Company), as the business broadened its customer and product base, entered new markets and repositioned its cost structure to support future growth.

During the year, Orbital expanded its customer base to 14 customers across its key geographic markets and entered the rapidly evolving commercial UAV sector with a new range of Commercial Off-The-Shelf (COTS) propulsion systems.

The Company also expanded its product portfolio through the introduction of the 350HFE propulsion system and Generation 2 Power Management System, providing greater capability across larger UAV platforms and applications requiring increased electrical power generation.

Investment in new product development continued with the development of an ICE-Electric hybrid propulsion solution for multi-rotor and other UAV applications. The system is designed to substantially extend the operating range and endurance of battery-powered aircraft by integrating Orbital's heavy-fuel engine technology with onboard electrical power generation.

Orbital strengthened its commercial capability during the year through the establishment of a dedicated Business Development function covering the United States and Europe. This has increased the Company's direct engagement with defence and commercial UAV manufacturers across two of its most important growth markets.

The Company also implemented a business efficiency and cost reduction program, reducing headcount by approximately 23% and targeting further unit cost reductions through engineering, supply chain and manufacturing optimisation.

Together, these initiatives have repositioned Orbital with a broader product portfolio, more diversified customer base and lower operating cost structure as it enters FY2027.

Customer relationships

Orbital continued to progress and expand key customer programs across its international markets during FY2026.

In January 2026, the Company continued the 150HFE program with DSO National Laboratories by completing delivery of the initial production order of 56 propulsion systems.

In the United States, Orbital completed a power upgrade program for the Textron Systems Aerosonde® 4.7 UAV platform. Orders for 32 upgrade packages have subsequently been received for delivery during the first half of FY2027.

In India, Orbital finalised development of a 150HFE engine package for the Dynamatic Cheel® UAV platform. The Cheel program is associated with an Indian sovereign defence requirement that is currently progressing through the final stages of tendering.

The Company also expanded its presence in the Middle East, securing orders for its 50HFE propulsion system from a new customer.

FY2026 marked Orbital's entry into the commercial UAV market. The Company delivered 150HFE and 350HFE systems to its first commercial customers, establishing a platform from which to pursue a market that has historically sat outside Orbital's predominantly defence-focused customer base.

These new and expanded relationships demonstrate the breadth of Orbital's heavy-fuel propulsion capability and have materially diversified the Company's customer base across the United States, South-East Asia, the Pacific region, India, Europe, Australia and the Middle East.

The evolving global UAV market

The global UAV market continues to evolve rapidly across both defence and commercial applications, creating new requirements for propulsion systems with greater power, reliability and endurance.

Increased payload requirements are driving demand for higher-capacity engines capable of supporting larger aircraft and more complex mission profiles. This trend supported Orbital's development of the 350HFE and continues to inform the Company's future product roadmap.

The growing adoption of Vertical Take-Off and Landing (VTOL) configurations is also increasing demand for onboard electrical power generation and high-voltage onboard battery charging. Orbital is addressing this requirement through its Generation 2 Power Management System and ICE-Electric hybrid propulsion technology.

In the commercial market, the continued evolution of Beyond Visual Line of Sight (BVLOS) regulations is expected to enable larger UAVs to undertake longer and more complex operations. These applications place greater emphasis on system reliability, endurance and operational safety and provide an opportunity for Orbital to leverage technology and performance standards developed over decades of supplying the defence market.

At the same time, the emerging Attritable and Expendable UAV segment is creating a new market characterised by lower unit costs, shorter development cycles and substantially higher potential production volumes than traditional defence aviation programs.

Orbital is adapting its product and commercial strategy to address each of these structural changes.

US UAV market developments

The United States remains one of Orbital's most important markets and is undergoing significant change across defence procurement and commercial UAV regulation.

US Department of Defence UAV strategies and associated procurement policies are transitioning towards increased domestic production, reduced reliance on adversary-state supply chains and more flexible multi-vendor procurement models designed to support rapid development and higher-volume acquisition of lower-cost UAV systems.

Proposed changes to Federal Aviation Administration regulations governing BVLOS operations are expected to support broader commercial deployment of autonomous aircraft.

The changing procurement environment resulted in a number of existing US defence programs being halted or restructured, including the FTUAS program, where Orbital was partnered as the sole propulsion system provider for the Textron Systems Aerosonde® 4.8 UAV platform.

While this transition affected the near-term outlook for established programs, Orbital believes the new procurement environment presents significant longer-term opportunities.

The Company has a dedicated US Business Development capability and is aligned with Blue UAS compliance requirements. Orbital's propulsion systems also have a substantial operating track record in the United States, having accumulated more than one million hours of operational service with the US Armed Forces.

Orbital has already secured initial pre-production orders with three commercial UAV operators in the United States and is developing a new low-cost propulsion system targeting the emerging Attritable and Expendable UAV market.

These capabilities position Orbital to participate in both the restructuring of US defence UAV procurement and the emerging commercial autonomous aviation market.

Capital Management

In August 2025, the Company completed an equity placement raising $3.0 million before costs through the issue of 14,285,714 new shares. Funds raised continue to support new engine development programs and provide general working capital.

During the year, the Group received cash proceeds of $4.1 million under the Australian Research and Development Tax Incentive program relating to eligible research and development expenditure incurred in prior periods.

Of these proceeds, $2.9 million was recognised as income, with the remaining $1.2 million offset against capitalised development costs associated with internally generated intangible assets.

Financial results and financial position

For the year ended 30 June 2026, the Group recorded revenue from continuing operations of $6.2 million, compared with $8.2 million in FY2025 and other income of $3.3 million, compared with $4.5 million in the prior corresponding period.

The Group recorded a net loss after tax of $4.8 million, compared with a net loss after tax of $4.3 million in FY2025.

At 30 June 2026, the Group had cash and receivables of $2.5 million, compared with $3.3 million at 30 June 2025.

Net cash outflow from operating activities during FY2026 was $2.3 million, compared with $2.7 million in FY2025, while net cash inflow from financing activities was $5.2 million, compared with $1.5 million in FY2025.

Outlook

Orbital enters FY2027 with a broader international customer base, an expanded product portfolio and exposure to multiple growth markets across defence and commercial autonomous aviation.

The Company's customer base now extends across the United States, South-East Asia, the Pacific region, India and Europe, with emerging opportunities in Australia and the Middle East.

A key priority for FY2027 is converting existing customer development programs and the Company's active business development pipeline into production orders and longer-term revenue streams.

Orbital also intends to further penetrate the emerging Tier 1 commercial UAV market. This represents a significant new addressable market for the Company and provides an opportunity to apply Orbital's proven heavy-fuel propulsion technology to commercial platforms requiring increased payload, range, endurance and reliability. This market utilises Group 2 and Group 3 UAVs that align with the Company's demonstrated expertise.

The Company will continue to progress its 350HFE, Generation 2 Power Management System and hybrid propulsion technologies while developing a lower-cost propulsion solution for the emerging Attritable and Expendable UAV segment.

Combined with the Company's established defence programs, growing commercial customer base and reduced operating cost structure, these initiatives provide Orbital with multiple pathways to future revenue growth as the global UAV market continues to evolve.

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 2026, approximately 52% of the Group'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 Group.

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.

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, a role he has held since July 2015. Dr Lukey holds a PhD in minerals processing and has completed the Advanced Management Program (AMP 188) as well as the Owners, Presidents, and Managers Program (OPM 63) at Harvard University.

He is currently a Non-Executive Director of ASX listed company 6KA Additive (ASX: 6KA) (based in Burgettstown PA, USA), and a board member of Chemistry Australia. Dr Lukey also sits on the Advisory Board of the Chemical College for Engineers Australia and has been appointed to the AiG National Executive as a representative for Western Australia. He was an invited member to the WA Ministerial Taskforce on Future Battery and Critical Minerals Industries through in 2024/25.

Mr Andrew Mills, B.Sc (Hons), MAICD (*Executive Director)*

Mr Mills was appointed to the Board in January 2025. He holds a bachelor's degree in applied chemistry and has more than 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 served as General Manager Operations and Interim Chief Executive Officer from September 2023 to March 2024.

COMPANY SECRETARY

Mr Mark Wege, B.Com, ACA, MAICD

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

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

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' and Audit and Risk Committee Meetings	
Director	**No. of meetings attended**	**No. of meetings held [1]**
S Gallagher	5	6
K Abbott	6	6
G Lukey	6	6
A Mills	5	6

[1] *Number of meetings held during the time the Director held office during the year.*

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 2026 are:

On 3 July 2026, the Group entered into an additional unsecured working capital loan facility of $1.5 million from a shareholder to provide further funding capacity and support the continuation of its new product development activities. The facility has a term of 12 months and bears interest at a fixed rate of 15% per annum. The facility was drawn down on 14 July 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 2026 is as follows:

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

SHARE OPTIONS ISSUED

During the 2026 fiscal year, the Group issued 3,000,000 options for nil cash consideration. The options are exercisable at $0.40 on or before the expiry date 31 December 2026.

Additional 3,050,000 options were issued under the Long-term incentive plan (LTI) for nil cash consideration, valued using the Black Scholes method and exercisable within 5 years of issue. As part of this allocation, 500,000 previously issued options were cancelled and replaced with this new allotment.

17,500,000 options issued as part of the February 2023 capital raising expired on 7 February 2026. The options were valued at $1,033,205 using the Black-Scholes model at grant date. No options were exercised prior to expiry and, accordingly, all related rights lapsed.

Refer to Note 5. Options reserve for further 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 2026, the Group engaged with Horizon Nexus (WA) Partners Pty Ltd (previously Nexia Perth 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, Horizon Nexus (WA) Audit Pty Ltd (previously 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 payments have been made under this indemnity 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 2026.

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 2026 are set out in Table 1.

Table 1 – KMP

Executive	Non-executive
Andrew Mills (Executive Director)	Kyle Abbott (Chairman)
Stephen Pearce (Chief Executive Officer)	Steve Gallagher (Director)
Mark Wege (Chief Financial Officer & Company Secretary)	Grant Lukey (Director)

Table 2 – Five-year performance

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

	2026	2025	2024	2023	2022
Closing share price ($) [1]	**0.16**	0.10	0.08	0.18	0.23
Market capitalisation ($M)	**27.78**	15.65	11.68	20.52	20.93
Basic EPS (cents) from operations	**(2.69)**	(2.75)	0.05	0.02	(12.92)

[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 2026 (2025: nil).

The remuneration of Non-Executive Directors of the Company consists only of Directors' fees.

Remuneration Report at 2025 AGM

The 2025 Remuneration Report received positive shareholder support at the 2025 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.

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 Company 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 2026 (2025: 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.

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 2026, 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, and CEng. The Board approves the final STI award based on this assessment of performance.

Actual STI performance for the year ending 30 June 2026

The following table outlines the proportion of the maximum STI earned in relation to the 2026 financial year. There were no STI amounts paid to KMPs for the year ended 30 June 2026.

	Maximum STI opportunity (Percentage of fixed remuneration)	Percentage of maximum STI earned
Andrew Mills	30%	0%
Stephen Pearce	30%	0%
Mark Wege	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 2025 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 2026

During the 2026 financial year, 3,050,000 options were issued under the LTI Plan. The options were issued for nil cash consideration and valued at a total of $427,000 using the Black-Scholes method at acceptance date 31 March 2026. The options are exercisable at nil price and expire on 1 July 2030.

500,000 options were cancelled under the LTI and issued replacement options to employees. The cancellation and replacement were accounted for as a modification of the original share-based payment arrangement.

The options value is amortised over the respective vesting periods.

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 2026, 191,315 (2025: 463,906) shares were issued to employees under the ESP. No Directors or KMPs participated in the share plan in 2026 (2025: 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

[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 while ensuring the cost remains appropriate and acceptable to shareholders.

The aggregate remuneration available to Non-Executive Directors and the associated fee structure are periodically reviewed against those of comparable listed companies. In undertaking these reviews, the Board may consider advice from independent external consultants.

In accordance with the Company's Constitution and the ASX Listing Rules, the maximum aggregate remuneration payable to Non-Executive Directors is determined by shareholders in general meeting. The current fee pool of $400,000 per annum was approved by shareholders at the Annual General Meeting held on 25 October 2001. No increase to the Non-Executive Director fee pool has been sought or approved since that time.

Fees

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

Following a review of director remuneration during the financial year, the Chairman's base fee was increased to $120,000 (2025: $60,000) and the base fee for each Non-executive Director was increased to $60,000 (2025: $30,000).

The remuneration of Non-executive Directors for the year ended 30 June 2026 and 30 June 2025 is detailed in 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 2026 (2025: nil).

STATUTORY TABLES

Table 1 - Compensation of Non-Executive Directors and executive KMPs for the year ended 30 June 2026 and 2025

		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										
K Abbott	**2026**	**105,000**	-	-	-	-	-	-	**105,000**	-
Chairman and Director (Non-executive)	2025	45,000	-	-	-	-	-	-	45,000	-
S Gallagher	**2026**	**52,500**	-	-	-	-	-	-	**52,500**	-
Director (Non-executive)	2025	30,000	-	-	-	-	-	-	30,000	-
G Lukey	**2026**	**52,500**	-	-	-	-	-	-	**52,500**	-
Director (Non-executive)	2025	30,000	-	-	-	-	-	-	30,000	-
J Welborn [1]	**2026**	-	-	-	-	-	-	-	-	-
Chairman and Director (Non-executive)	2025	27,320	-	-	3,142	-	-	-	30,462	-
Executive Directors										
A Mills [2]	**2026**	**296,442**	-	-	**21,635**	**(5,099)**	-	**18,730**	**331,708**	**0%**
Executive Director	2025	147,724	-	-	13,815	7,165	-	62,198	230,902	0%
Executive Key Management Personnel										
S Pearce [3]	**2026**	**384,615**	-	-	**30,000**	**27,380**	-	**74,464**	**516,459**	**0%**
Chief Executive Officer	2025	-	-	-	-	-	-	-	-	0%
M Wege [4]	**2026**	**280,000**	-	-	**30,000**	**9,938**	-	**62,430**	**382,368**	**0%**
Chief Financial Officer	2025	**134,335**	-	-	15,098	2,993	-	8,758	161,184	0%
T Spencer [5]	**2026**	-	-	-	-	-	-	-	-	**0%**
Chief Financial Officer	2025	154,548	-	-	16,661	(10,488)	-	-	160,721	0%
Total Consolidated, Non-executive Directors, Executive directors, and Executive Key Management Personnel	**2026**	**1,171,057**	-	-	**81,635**	**32,219**	-	**155,624**	**1,440,535**	**0%**
	2025	568,927	-	-	48,716	(330)	-	70,956	688,269	0%

[1] *Mr. Welborn ceased as a KMP on 17 December 2024.*
[2] *Mr. Mills joined as KMP on 9 January 2025.*
[3] *Mr. Pearce joined as KMP on 30 June 2025.*
[4] *Mr. Wege joined as KMP on 9 December 2024.*
[5] *Mr. Spencer ceased as KMP on 12 January 2025.*

Table 2 – KMP share and equity holdings

Details of shares and options held by KMP including their personally related entities for the 2026 financial year are as follows:

	Type of equity	Opening holding at 1 July 2025 [1]	Rights allocated in 2026	Rights lapsed or cancelled in 2026	Net Other changes [2]	Closing holding at 30 June 2026 [3]
Non-executive Directors						
K Abbott	Shares	118,125	-	-	-	118,125
	Options	25,000	-	(25,000)	-	-
S Gallagher	Shares	412,502	-	-	-	412,502
	Options	50,000	-	(50,000)	-	-
G Lukey	Shares	822,067	-	-	-	822,067
	Options	-	-	-	-	-
Executive Directors						
A Mills	Shares	3,461	-	-	-	3,461
	Options	1,000,000	-	-	-	1,000,000
Executive Key Management Personnel						
S Pearce	Shares	-	-	-	-	-
	Options	-	1,300,000	-	-	1,300,000
M Wege	Shares	-	-	-	-	-
	Options	500,000	1,100,000	(500,000)	-	1,100,000

[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 2026

Horizon Nexus Partners
Horizon Nexus (WA) Audit Pty Ltd (ACN 145 447 105)
Level 4, 88 William Street, Perth WA 6000 | GPO Box 2570, Perth WA 6001
horizonnp.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 consolidated financial statements of Orbital Corporation Limited for the financial year ended 30 June 2026, 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

Horizon Nexus (WA) Audit Pty Ltd

Horizon Nexus (WA) Audit Pty Ltd

Muranda Cornelius
Director

Perth, Western Australia
Date: 28 August 2026

CONSOLIDATED FINANCIAL STATEMENTS CONTENTS

Financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2026

	Notes	2026	2025
		$'000	$'000
Continuing operations			
Sale of goods		**4,602**	6,909
Engineering services revenue		**1,559**	1,321
Royalty and licence revenue		**-**	3
Total revenue		**6,161**	8,233
Other income	A.3	**3,263**	4,463
Materials and consumables expenses	A.4(c)	**(2,159)**	(4,243)
Recovered excess inventory		**(110)**	(484)
Employee benefits expenses	A.4(a)	**(6,625)**	(6,873)
Depreciation expenses		**(692)**	(659)
Amortisation of intangibles	B.2	**(833)**	(721)
Engineering consumables and contractor expenses		**(531)**	(1,078)
Occupancy expenses		**(525)**	(702)
Travel and accommodation expenses		**(256)**	(104)
Communications and computing expenses		**(561)**	(666)
Patent expenses		**(77)**	(167)
Insurance expenses		**(617)**	(612)
Audit, compliance and listing expenses		**(555)**	(391)
Finance costs	A.4(b)	**(366)**	(298)
Bad debts recovered		**(6)**	-
Warranty expenses	E.1	**9**	201
Other expenses	A.4(d)	**(279)**	(183)
Foreign exchange gains / (losses)		**-**	(13)
Profit / (loss) before income tax		**(4,759)**	(4,297)
Income tax expense	A.5	**-**	-
Profit / (loss) for the year		**(4,759)**	(4,297)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Cash flow hedge reserve	D.4	**(29)**	-
Exchange differences on translation of foreign operations		**9**	2
Total comprehensive income / (loss) for the year		**(4,779)**	(4,295)
Earnings per share			
Basic profit / (loss) for the year attributable to ordinary equity holders of the parent (cents)	A.6	**(2.69)**	(2.75)
Diluted profit / (loss) for the year attributable to ordinary equity holders of the parent (cents)	A.6	**(2.69)**	(2.75)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2026

ASSETS	Notes	2026 $'000	2025 $'000
Current assets			
Cash and cash equivalents	C.3	**1,680**	1,080
Other financial assets	C.5	**465**	465
Trade and other receivables	C.2	**381**	1,769
Contract assets	C.2	**-**	-
Inventories	C.1	**2,580**	2,709
Prepayments	C.2	**422**	213
Finance lease receivable	C.8	**459**	507
Total current assets		**5,987**	6,743
Non-current assets			
Intangibles	B.2	**6,382**	5,207
Plant and equipment	B.1	**891**	963
Inventories	C.1	**2,142**	2,113
Right-of-use asset	C.8	**1,504**	2,051
Finance lease receivable	C.8	**860**	141
Other receivables	C.2	**173**	202
Total non-current assets		**11,952**	10,677
Total assets		**17,939**	17,420
LIABILITIES			
Current liabilities			
Trade payables and other liabilities	C.6	**1,415**	1,837
Deferred revenue	C.7	**941**	1,397
Borrowings	D.1	**1,013**	-
Government grants	A.3	**189**	189
Lease liabilities	C.8	**889**	890
Derivative financial liabilities		**29**	-
Provisions	E.1	**2,241**	2,187
Total current liabilities		**6,717**	6,500
Non-current liabilities			
Lease liabilities	C.8	**2,216**	2,095
Borrowings	D.1	**2,000**	-
Provisions	E.1	**226**	259
Total non-current liabilities		**4,442**	2,354
Total liabilities		**11,159**	8,854
Net assets		**6,780**	8,566
Equity			
Share capital	D.2	**49,676**	47,163
Options reserve	D.3	**551**	1,104
Reserves	D.4	**2,578**	2,598
Accumulated losses		**(46,025)**	(42,299)
Total equity		**6,780**	8,566

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2026

	Share capital	(Accumulated losses)	Employee equity benefits reserve	Foreign currency translation reserve	Cash flow hedge reserve	Option reserve	Total equity
Notes	**D.2**			**D.4**	**D.4**	**D.3**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2025	**47,163**	**(42,299)**	**2,652**	**(54)**	**-**	**1,104**	**8,566**
Loss for the year	**-**	**(4,759)**	**-**	**-**	**-**	**-**	**(4,759)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(29)**	**-**	**(29)**
Foreign currency translation	**-**	**-**	**-**	**9**	**-**	**-**	**9**
Total comprehensive loss for the year	**-**	**(4,759)**	**-**	**9**	**(29)**	**-**	**(4,779)**
Issue of ordinary shares, net of costs	**2,476**	**-**	**-**	**-**	**-**	**480**	**2,956**
Expiry of share options	**-**	**1,033**	**-**	**-**	**-**	**(1,033)**	**-**
Employee share plan shares	**37**	**-**	**-**	**-**	**-**	**-**	**37**
At 30 June 2026	**49,676**	**(46,025)**	**2,652**	**(45)**	**(29)**	**551**	**6,780**
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 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

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2026

	Notes	**2026 $'000**	2025 $'000
Cash flows from operating activities			
Cash receipts from customers		**7,268**	9,184
Cash paid to suppliers and employees		**(12,553)**	(13,839)
Cash receipts from R&D rebates		**2,938**	1,899
Interest received		**144**	126
Interest paid		**(143)**	(63)
Net cash used in operating activities	C.3	**(2,346)**	(2,693)
Cash flows from investing activities			
Payments for financial instruments		**-**	282
Purchase of plant and equipment		**(235)**	(176)
Grant rebates received		**1,183**	186
Payments for intangible asset		**(3,191)**	(2,802)
Net cash used in investing activities		**(2,243)**	(2,510)
Cash flows from financing activities			
Proceeds from issues of shares and options	D.2	**3,000**	2,008
Share issue transaction costs		**(242)**	(89)
Principal elements of lease payments		**(573)**	(429)
Proceeds from borrowings		**3,013**	-
Net cash from financing activities		**5,198**	1,490
Net increase / (decrease) in cash and cash equivalents		**609**	(3,713)
Cash and cash equivalents at 1 July		**1,080**	4,784
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		**9**	**(9)**
Cash and cash equivalents at 30 June	C.3	**1,680**	1,080

The accompanying notes form part of the financial statements.

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 2026. The Directors have the power to amend and reissue the financial statements.

1.B 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 2026.

For the year ended 30 June 2026, the Group recorded an after tax loss of $4,759,000 (2025: $4,297,000) and operating cash outflows of $2,346,000 (2025: $2,693,000). As at 30 June 2026 the Group had net assets of $6,780,000 (2025: $8,566,000) and net current liabilities of $730,000 (2025: net current assets $243,000).

The Group also had cash outflows from investing activities of $2,243,000 (2025: $2,510,000) and cash inflows from financing activities of $5,198,000 (2025: $1,490,000) leading to net cash inflows for the year ended 30 June 2026 of $609,000 (2025: cash outflows $3,713,000).

The Directors have prepared cash flow forecasts covering a period of at least twelve months from the date of approval of the financial report. These forecasts indicate that the Group will require the successful execution of a number of assumptions, including:

- generating revenue from existing contracted production and engineering programs, together with securing additional customer orders currently under negotiation;
- achieving forecast operating performance across the Group's production and engineering activities and realising the benefits of cost reduction and efficiency initiatives already implemented during the year;
- continuing to actively manage working capital and discretionary expenditure, including the ability to defer or reduce certain costs and capital expenditure should trading conditions differ from forecast;
- maintaining access to existing funding facilities and, if required, obtaining additional funding from debt or equity sources, noting that subsequent to year end the Group secured an additional unsecured working capital facility of $1.5 million.

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.

Subsequent to the reporting date, the Group received proceeds of $1.5 million from an additional unsecured working capital loan facility, as disclosed in Note F.10. The additional funding strengthens the Group’s liquidity position and provides support for ongoing operations, which has been considered in the assessment of the Group's ability to continue as a going concern.

1.C 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.

New accounting standards issued but not yet effective
At 30 June 2026, a number of accounting standards and amendments had been issued but were not yet mandatory for the Group and have not been early adopted. Other than AASB 18 Presentation and Disclosure in Financial Statements, which is discussed separately in Note F.12, management does not expect any issued but not yet effective standards to have a material impact on the Group's financial position, results of operations, or disclosures.

1.D Currency

The financial statements are presented in Australian dollars, being the functional currency of the Company. Transactions are recorded in the functional currency of the relevant entity at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date, with exchange differences recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rate at the transaction date.

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the exchange rate prevailing at the reporting date, while income and expenses are translated at the exchange rates prevailing on the transaction dates. Exchange differences arising on translation are recognised in the Foreign Currency Translation Reserve (FCTR) through other comprehensive income. On disposal of a foreign operation, the related balance of the FCTR is reclassified to profit or loss.

1.E 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.F 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.G 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.H 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 2026 the Group's strategy remained unchanged from 2025. The gearing ratio at 30 June 2026 was 44% (2025: 0%). 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.I 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

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 2026 and 2025 are as follows:

	2026 A$'000	2025 A$'000
Financial assets		
Cash and cash equivalents	**543**	648
Trade and other receivables	**9**	379
Financial liabilities		
Trade and other payables	**125**	147
Net exposure	**427**	880

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.

Derivative liabilities
On 19 June 2026, the Group entered into a foreign exchange forward contract to hedge a portion of its highly probable forecast USD sales proceeds. The contract has a notional value of $750,000, and maturity date of 10 October 2026. At 30 June 2026, the forward contract had a negative fair value of $28,809 (2025: nil), which has been recognised as a derivative financial liability. The effective portion of the change in fair value has been recognised in the cash flow hedge reserve within equity.

The hedge was designated with a hedge ratio of 1:1 based on the relationship between the forecast USD sales proceeds and the forward contract. An economic relationship exists as both the hedged item and hedging instrument are exposed to the same AUD/USD foreign currency risk. Potential sources of hedge ineffectiveness include differences in the timing or amount of the forecast sales proceeds relative to the forward contract and changes in counterparty credit risk. No material hedge ineffectiveness was recognised during the year.

The forecast transaction underlying the hedge remained highly probable at 30 June 2026. Amounts recognised in the cash flow hedge reserve will be reclassified to profit or loss when the forecast sales proceeds are recognised.

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. Changes in foreign currencies may impact other comprehensive income through the cash flow hedge reserve; however, the impact is not material at 30 June 2026. 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.

			2026 A$'000	2025 A$'000
Change in AUD/USD rate	+10%	Increase / (reduction) on profit before tax	**(39)**	(80)
Change in AUD/USD rate	-10%	Increase / (reduction) on profit before tax	**47**	98

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 2026 and 2025	Australia		US		Consolidated	
	2026	2025	**2026**	2025	**2026**	2025
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue	**6,161**	8,233	**-**	-	**6,161**	8,233
EBIT	**(4,255)**	(3,894)	**(138)**	(105)	**(4,393)**	(3,999)
Finance expenses	**(319)**	(242)	**(47)**	(56)	**(366)**	(298)
Profit / (loss) before income tax	**(4,574)**	(4,136)	**(185)**	(161)	**(4,759)**	(4,297)

	Australia		US		Consolidated	
	2026	2025	**2026**	2025	**2026**	2025
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Assets	**17,457**	16,482	**482**	938	**17,939**	17,420
Liabilities	**10,552**	7,998	**607**	856	**11,159**	8,854
Net assets	**6,905**	8,484	**(125)**	82	**6,780**	8,566

A.2 Revenue

	Australia		US		Consolidated	
	2026	2025	**2026**	2025	**2026**	2025
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Sale of goods	**4,602**	6,912	**-**	-	**4,602**	6,912
Rendering of services	**1,559**	1,321			**1,559**	1,321
Total external revenue	**6,161**	8,233	**-**	-	**6,161**	8,233

Revenues of approximately $3,234,000 (2025: $3,973,000) were derived from a single external customer.

Recognition and measurement
Revenue is recognised in accordance with AASB 15 using the following five-step model:
- 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:

- **Sale of Goods**

Revenue from the sale of goods is recognised at a point in time 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. CURRENT YEAR PERFORMANCE

A.2 Revenue (continued)

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.

- **Revenue from rendering of services**

Revenue from rendering of services is recognised over time as performance obligations are satisfied. The Group's contracts generally provide an enforceable right to payment for work completed to date. Revenue is measured using an output method based on progress towards completion of the agreed services.

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

	2026	2025
	$'000	$'000
Contract Liabilities		
Deferred revenue	**941**	1,397

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

A.3 Other income

	2026	2025
	$'000	$'000
Grant income	**-**	2,486
Rental income	**181**	158
Research and development grant	**2,938**	1,710
Interest income	**144**	126
Other	**-**	(17)
	3,263	4,463

Recognition and measurement

- **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 $0.5 million 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 $ 0.2 million was received on 5 March 2025. As of 30 June 2026 the asset has not been acquired. Accordingly, no revenue has been recognised.

- **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.

- **Other income**

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

A. CURRENT YEAR PERFORMANCE

A.4 Expenses

(a) Employee benefits expense

	2026 $'000	2025 $'000
Salaries and wages	**4,292**	4,339
Defined contribution plans	**805**	755
Share based payments (Note D.3, F.3)	**235**	112
Annual and long service leave	**696**	997
Other personnel costs	**597**	670
	6,625	6,873

(b) Finance costs

	2026 $'000	2025 $'000
Interest expense	**366**	298
	366	298

(c) Material and consumable expenses

	2026 $'000	2025 $'000
Raw materials and consumables	**2,031**	2,932
Change in inventories	**128**	1,311
	2,159	4,243

(d) Other expenses

	2026 $'000	2025 $'000
Administration	**72**	81
Marketing	**151**	38
Freight	**33**	36
Other	**23**	28
	279	183

Recognition and measurement

- **Defined contribution plans**

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

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

A. CURRENT YEAR PERFORMANCE

A.5 Taxes

The major components of the income tax expense for the years ended 30 June 2026 and 2025 are:

	2026	2025
	$'000	$'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 2026 and 2025 are:

	2026	2025
	$'000	$'000
Accounting profit / (loss) before tax from continuing operations	**(4,759)**	(4,297)
Accounting profit / (loss)	**(4,759)**	(4,297)
At Australia's statutory income tax rate of 25%	**1,190**	1,074
Non assessable income	**(735)**	(1,049)
Expenses subject to R&D tax incentive	**1,750**	1,200
Non-deductible expenses	**65**	46
Deferred tax asset not recognised	**(2,270)**	(1,271)
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):

	2026	2025
	$'000	$'000
Inventory	**356**	337
Revenue received in advance	**235**	349
Plant and equipment	**(16)**	(19)
Provisions and accruals	**588**	567
Intangible assets	**(1,595)**	(1,302)
ROU leasing assets	**97**	93
ROU leasing liabilities	**(133)**	(110)
Foreign exchange gains / losses	**(3)**	(2)
Other	**(45)**	(14)
Unrecognised temporary differences	**516**	101
Tax losses	**-**	-
Net deferred tax asset	**-**	-

The Group has unused Australian tax losses of $55,771,017 (2025: $54,256,785) for which no deferred tax asset has been recognised. These losses are available indefinitely to offset future taxable profits of the entities in which the losses arose.

The Group also has unused United States tax losses of US$465,586 (2025: US$346,029) for which no deferred tax asset has been recognised. These losses may be carried forward and utilised in future periods, subject to applicable tax legislation and statutory limitations.

No deferred tax assets have been recognised in respect of these tax losses as their recovery is not considered probable at 30 June 2026. Deferred tax assets will be recognised when it becomes probable that sufficient future taxable profits will be available against which the losses can be utilised.

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 2026, the Group recognised nil (2025: 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:

	2026 **$'000**	2025 $'000
Profit/(loss) for the year ended attributable to ordinary equity holders of the Parent:		
Continuing operations	**(4,759)**	(4,297)

	2026 **Number**	2025 Number
Weighted average number of ordinary shares for basic EPS	**176,787,682**	156,473,782
Weighted average number of ordinary shares adjusted for the effect of dilution	**176,787,682**	156,473,782

Earnings per share	**Cents**	Cents
Basic profit/(loss) per share	**(2.69)**	(2.75)
Diluted profit/(loss) per share	**(2.69)**	(2.75)

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:

	2026 **Number**	2025 Number
Options	**7,050,000**	19,000,000
Performance rights	**-**	-
Total	**7,050,000**	19,000,000

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 2024	13,835	2,724	16,559
Additions	139	37	176
Disposals	(250)	-	(250)
At 30 June 2025	13,724	2,761	16,485
Additions	**235**	**-**	**235**
Disposals	**(10)**	**-**	**(10)**
At 30 June 2026	**13,949**	**2,761**	**16,710**
Depreciation and impairment			
At 30 June 2024	(12,959)	(2,462)	(15,421)
Depreciation	(278)	(44)	(322)
At 30 June 2025	(13,016)	(2,506)	(15,522)
Depreciation	**(261)**	**(46)**	**(307)**
Disposals	**10**	**-**	**10**
At 30 June 2026	**(13,267)**	**(2,552)**	**(15,819)**
Net book value			
At 30 June 2026	**682**	**209**	**891**
At 30 June 2025	708	255	963

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 any indication that an asset may be impaired. Where an indicator of impairment exists, the Group estimates the recoverable amount of the asset or cash-generating unit (CGU). Recoverable amount is the higher of fair value less costs of disposal and value in use.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, an impairment loss is recognised in profit or loss and the asset is written down to its recoverable amount.

In determining value in use, estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, the Group considers available market evidence and, where appropriate, applies valuation techniques.

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.

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 10 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

	2026	2025
	$'000	$'000
Cost	**13,369**	10,178
Accumulated amortisation and impairment	**(3,109)**	(2,276)
R&D tax offset recognised	**(3,878)**	(2,695)
Net carrying amount	**6,382**	5,207
Movement		
Net carrying amount at the beginning of the year	**5,207**	3,312
Additions	**3,191**	2,802
Amortisation for the year	**(833)**	(721)
R&D tax offset recognised	**(1,183)**	(186)
Net carrying amount at the end of the year	**6,382**	5,207

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

Capitalised development costs are amortised from the date the asset is available for use and are tested for impairment whenever indicators of impairment exist. Assets not yet available for use are tested for impairment annually.

Key estimate - Allocation of government incentives
Management exercises judgement in determining the portion of government incentives, including R&D tax incentives, that relates to capitalised development expenditure. Amounts assessed as directly attributable to qualifying capitalised development activities are recognised as a reduction of the carrying amount of the related intangible asset, while amounts relating to research and operating activities are recognised in profit or loss.

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 2026, the Group has a total of $1,680,000 of cash at its disposal (2025: $1,080,000) and a net current liability position $730,000 (2025: net current asset: $243,000). 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 2026						
Borrowings	**-**	**1,013**	**2,000**	**-**	**3,013**	**3,013**
Trade payables and other liabilities	**1,415**	**-**	**-**	**-**	**1,415**	**1,415**
Lease liabilities	**263**	**799**	**2,470**	**-**	**3,532**	**3,105**
	1,678	**1,812**	**4,470**	**-**	**7,960**	**7,533**
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

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 2026 is as follows:

	2026	2025
	$'000	$'000
Cash and cash equivalents (Note C.3)	**1,680**	1,080
Short-term deposits (Note C.5)	**465**	465
	2,145	1,545

A reasonably possible change in the interest rate (+0.5%/-0.5%) (2025: +0.5%/-0.5%)), with all variables held constant, would have resulted in a change in post tax profit/(loss) of $8,000/($8,000) (2025: $5,000)/($5,000) 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 2026 and 2025 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. A financial asset is considered to be in default when there is objective evidence that the counterparty is unlikely to meet its contractual obligations in full. 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

	2026	2025
	$'000	$'000
Raw materials	**4,991**	5,134
Provision for impairment	**(1,426)**	(1,346)
Work in progress	**1,157**	1,034
	4,722	4,822

Current	**2,580**	2,709
Non current	**2,142**	2,113
	4,722	4,822

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

	2026	2025
	$'000	$'000
Trade receivables	142	1,769
Other receivables	63	-
Retention receivable	349	202
Prepayments	422	213
	976	2,184
Current	803	1,982
Non current	173	202
	976	2,184

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

	2026	2025
	$'000	$'000
Cash at bank	1,680	1,080
	1,680	1,080

The reconciliation of net loss after tax to net cash flows from operations for the years ended 30 June 2026 and 2025 is as follows:

	2026	2025
	$'000	$'000
Profit/(loss) after income tax from continuing operations	(4,759)	(4,297)
Depreciation & amortisation (Note B.1, B.2)	1,140	1,072
Government loan forgiven	-	(2,438)
Provision for excess stock	80	(318)
Warranties (Note E.1)	(9)	(201)
Employee benefits (Note E.1)	(118)	128
Provision for doubtful debt	-	(664)
Share based payment expense (Note D.3, F.3)	235	112
Net foreign exchange gain	4	12
Net cash used in operating activities before changes in assets and liabilities	(3,427)	(6,594)
Changes in assets and liabilities during the year:		
Decrease/(increase) in receivables and prepayments	1,353	(414)
(Increase)/decrease in inventories	21	2,412
Increase/(decrease) in payables	(293)	1,903
	1,081	3,901
Net cash used in operating activities	(2,346)	(2,693)

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

	2026	2025
	$'000	$'000
Additions to the right-of use assets	(547)	(708)
Additions to the finance lease receivable	671	(118)
Changes in borrowings	-	2,438
Changes in lease liabilities	(120)	650
Shares issued under employee share plan	37	41
	41	2,304

C. WORKING CAPITAL MANAGEMENT

C.5 Other financial assets

	2026	2025
	$'000	$'000
Short-term deposits	465	465
	465	465

The Group has pledged short term deposits of $465,000 (2025: $465,000) 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

	2026	2025
	$'000	$'000
Trade payables	1,259	1,706
Taxes payable	156	131
	1,415	1,837

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 2026 and 2025 is as follows:

	2026	2025
	$'000	$'000
At 1 July	1,397	1,330
Deferred during the year	1,510	3,673
Recognised through the statement of profit or loss	(1,966)	(3,606)
At 30 June	941	1,397

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.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.

C. WORKING CAPITAL MANAGEMENT

C.8 Leases (continued)

Finance lease arrangements
The Group enters into finance lease arrangements in respect of certain assets whereby substantially all of the risks and rewards incidental to ownership are transferred to the lessee. Finance leases typically have terms ranging from 1 to 6 years. Subleases have been recognised as finance lease receivables under AASB 16 Leases, which reduced the carrying amount of the related right-of-use assets on adoption of the standard. Finance income arising from finance lease receivables is recognised over the lease term.

The Group's exposure to credit risk is managed through ongoing monitoring of lessee performance and financial position.

Maturity analysis of finance lease receivables
The maturity analysis of undiscounted lease payments to be received after the reporting date is presented below:

	2026	2025
	$'000	$'000
Less than one year	**520**	542
One to two years	**553**	243
Two to three years	**245**	238
Three to six years	**145**	390
Total undiscounted lease payments receivable	**1,463**	1,413

Significant leasing arrangements
Finance lease contracts generally require fixed periodic payments over the lease term. The Group retains legal title to the leased assets until the lease obligations have been satisfied where applicable. The Group monitors residual value risk associated with leased assets and reviews expected residual values regularly. No significant changes in residual value risk were identified during the reporting period.

Lease payments
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:

	2026	2025
Right-of-use assets	**$'000**	$'000
Properties	**1,504**	2,051
Total right-of-use assets	**1,504**	2,051
Finance Lease Receivable		
Current	**459**	507
Non Current	**860**	141
	1,319	648
Lease Liabilities		
Current	**889**	890
Non Current	**2,216**	2,095
	3,105	2,985

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

	2026	2025
	$'000	$'000
Depreciation charge of right-of-use assets	**385**	337
Interest expense (included in finance cost)	**187**	214
Interest income	-	-

The total cash outflow for leases in 2026 was $573,000 (2025: $429,000).

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 capital management, the Group's capital comprises contributed equity. The primary objective of managing capital is to ensure the Group remains a going concern while maximising shareholder value and supporting the interests of other stakeholders. Management seeks to maintain an efficient capital structure that minimises the cost of capital, supports business growth, and sustains investor, creditor and market confidence. To maintain or adjust its capital structure, the Group may issue new equity or debt instruments.

D.1 Borrowings

Changes in borrowings arising from financing activities:	**2026 $'000**	2025 $'000
Net carrying amount at the beginning of the year	-	2,438
Loan forgiveness grant income	-	(2,486)
Interest expenses	-	48
Working capital loan	2,000	-
R&D advance funding	1,013	-
At 30 June	**3,013**	-
Current	**1,013**	-
Non-current	**2,000**	-
	3,013	-

Working capital loan facility
During the year, the Group utilised a $2.0 million unsecured working capital loan facility established on 21 February 2025 with its two largest shareholders to support its ongoing operating requirements. The facility bears interest at the 3-month bank bill rate plus a margin of 2% per annum and is repayable by 21 February 2028.

On 3 July 2026, the Group obtained an additional unsecured working capital loan facility of $1.5 million from a shareholder to provide further funding capacity and support the continuation of its new product development activities. The facility has a term of 12 months and bears interest at a fixed rate of 15% per annum. It was subsequently drawn down on 14 July 2026.

Advance funding of R&D rebate
During the year, the Group entered into a financing arrangement with Radium Capital and received advances totalling $1.0 million, secured against the anticipated Research and Development (R&D) Tax Incentive refund for the financial year ended 30 June 2026. 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 provided additional working capital to support the Group's ongoing research and development activities.

At the reporting date, no R&D tax incentive receivable had been recognised.

D. DEBT AND CAPITAL

D.2 Share capital

Ordinary shares issued and fully paid:

Movement in ordinary shares		2026		2025
	Number	**$'000**	Number	$'000
At the beginning of the year	**164,779,717**	**47,163**	146,056,915	45,203
Issue of ordinary shares	**14,285,714**	**3,000**	18,258,896	2,008
Share issue transaction costs	**-**	**(242)**	-	(89)
Lead manager costs for capital raising	**-**	**(282)**	-	-
Employee Share plan	**191,315**	**37**	463,906	41
At the end of the year	**179,256,746**	**49,676**	164,779,717	47,163

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

Issued options:

Movement in options		2026		2025
	Number	**$'000**	Number	$'000
At the beginning of the year	**19,000,000**	**1,104**	17,500,000	1,033
Issue of options	**6,050,000**	**550**	1,500,000	71
Cancellation of options	**(500,000)**	**(70)**	-	-
Expiry of options	**(17,500,000)**	**(1,033)**	-	-
At the end of the year	**7,050,000**	**551**	19,000,000	1,104

A total of 17,500,000 options with an exercise price of $0.35 expired on 7 February 2026. No options were exercised prior to expiry and, accordingly, all associated rights have lapsed.

A total of 1,500,000 options issued in the prior reporting period are exercisable as follows:

- 500,000 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 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 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.

500,000 of these options were cancelled and replaced with 1,100,000 options under the 2026 LTI plan. The replacement award was accounted for as a modification of the original grant in accordance with AASB 2. The modification resulted in an incremental fair value of $84,000, which is recognised as share-based payment expense over the remaining vesting period.

D. DEBT AND CAPITAL

D.3 Options reserve (continued)

Options issued during the 2026 fiscal year

3,000,000 options were issued for nil cash consideration and were valued at $281,917 using the Black Scholes method of calculation at acceptance date 28 August 2025. A volatility rate of 118.23% and a risk-free rate of 3.30% was used in the calculation. The options are exercisable at $0.40 on or before the expiry date 31 December 2026.

Additional 3,050,000 options were issued under the 2026 LTI plan for nil cash consideration. The options were valued at $427,000 using the Black Scholes method of calculation at acceptance date 31 March 2026, incorporating expected volatility rate of 108.02% to 111.41% and a risk-free rate of 4.69%. The options are exercisable at nil price on or before the expiry date 1 July 2030.

Included within this grant were 1,100,000 replacement options issued in connection with the cancellation of previously granted options. The replacement award was accounted for as a modification of the original grant, resulting in incremental fair value of $84,000, which is recognised as additional share-based payment expense over the remaining vesting period.

The options value is amortised over the respective vesting periods.

D.4 Reserves

	Employee benefits reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total
	$'000	$'000	$'000	$'000
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
At 1 July 2025	**2,652**	**-**	**(54)**	**2,598**
Foreign currency translation	**-**	**(29)**	**9**	**(20)**
Rights issued pursuant to performance rights plan	**-**	**-**	**-**	**-**
At 30 June 2026	**2,652**	**(29)**	**(45)**	**2,578**

Nature and purpose of reserves

Employee benefits reserve
The employee benefits reserve records the share-based payments provided to key management personnel as part of their long-term incentive remuneration. Refer to Note F.3 for further details.

Cash flow hedge reserve
The cash flow hedge reserve represents the effective portion of gains and losses arising from changes in the fair value of derivatives designated as cash flow hedges. Amounts recognised in the reserve are transferred to profit or loss when the hedged transaction affects earnings.

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.

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
	$'000	**$'000**	**$'000**	**$'000**
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 2025	**1,001**	**202**	**1,243**	**2,446**
Arising during the year	7	147	572	726
Utilised	-	-	(689)	(689)
Expired	(16)	-	-	(16)
At 30 June 2026	**992**	**349**	**1,126**	**2, 467**
Current	992	176	1,073	2,241
Non-current	-	173	53	226
	992	**349**	**1,126**	**2,467**

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.

Contract performance liabilities
Contract performance liabilities represent amounts retained by customers under contractual arrangements until specified performance obligations and warranty conditions have been satisfied. The liability is recognised for the amount expected to be released by the customer upon completion of the contractual retention period.

Employee benefits
The Group does not expect its long service leave or annual leave obligations to be settled wholly within twelve months of the reporting date. These liabilities are measured based on the estimated future amounts expected to be paid to employees in respect of services provided up to the reporting date. Employee benefits expected to be settled within twelve months after the end of the period in which the employees render the related services are classified as short-term employee benefits and are measured at the amounts expected 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

	2026	2025
	$	$
Short term employee benefits	**1,171,057**	568,927
Post-employment benefits	**81,635**	48,716
Long-term employee benefits	**32,219**	(330)
Share based payments	**155,624**	70,956
	1,440,535	688,269

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 maintains unsecured working capital facilities with its two largest shareholders. The facilities provide funding flexibility to support working capital requirements and potential acceleration of product development activities. The facilities comprise a $2.0 million facility bearing interest at BBSW plus 2.0% per annum and a $1.5 million facility bearing interest at 15.0% per annum. Refer to Note D.1 for further details.

F.3 Share based payments

	2026	2025
	$'000	$'000
Equity-settled share based payment transactions	**37**	41
	37	41

There were no cancellations or modifications to awards in the 2026 or 2025 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 2026, the Group issued 191,315 ordinary shares (2025: 463,906 ordinary shares) at a market value on the date of issue of $36,732 (2025: $41,288).

Recognition and measurement
Employees, including key management personnel, may receive remuneration in the form of equity-settled share-based payments. The associated expense is measured at the fair value of the equity instruments granted at the grant date using an appropriate valuation model.

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 2026	% equity interest 2025
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

	2026 $'000	2025 $'000
Current assets	-	-
Non-current assets	**6,780**	7,702
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	**6,780**	7,702
Issued capital	**49,675**	47,163
Share Options Reserve	**551**	1,104
Accumulated losses	**(46,098)**	(43,217)
Employee benefits reserve	**2,652**	2,652
Total equity	**6,780**	7,702
Profit / (loss) of the parent	**(330)**	2,366
Total comprehensive profit/ (loss) of the parent entity	**(330)**	2,366

F.6 Auditor remuneration

During the year the following fees were paid or payable for services provided by Horizon Nexus (WA) Audit Pty Ltd (previously Nexia Perth Audit Services Pty Ltd) (2025: same) as the auditor of the Group, and other network firms:

	2026 $	2025 $
Audit and review services		
Auditors of the Group – Horizon Nexus (WA) Audit Pty Ltd (previously Nexia Perth Audit Services Pty Ltd)		
Audit and review of financial statements	**112,176**	106,500
	112,176	106,500
Other Services		
Tax advisors of the Group – Horizon Nexus (WA) Partners Pty Ltd (previously Nexia Perth Pty Ltd)		
Tax compliance services	**23,780**	20,800
Taxation advice	-	7,000
CohnReznick Advisory LLC		
Tax compliance services	**43,363**	48,682
	67,143	76,482
Total Auditors remuneration	**179,319**	182,982

F.7 Contingent assets

The Group had no contingent assets as at 30 June 2026 and 30 June 2025.

F.8 Contingent liabilities

The Group has received notices relating to penalties associated with filing requirements for its dormant US entity, Orbital Holdings USA, for the 2023 and 2024 periods. The Group has engaged with the relevant authority, noting that provisions for relief are available under applicable US tax law. Based on information available at 30 June 2026, management has assessed that an outflow of economic benefits is not probable and, accordingly, no provision has been recognised. The matter continues to be monitored and will be reassessed as further information becomes available.

F.9 Commitments

The Group had no commitments that are not recognised as liabilities as at 30 June 2026 and 30 June 2025.

F. OTHER NOTES

F.10 Events after the end of the reporting period

On 3 July 2026, the Group entered into an additional unsecured working capital loan facility of $1.5 million from a shareholder to provide further funding capacity and support the continuation of its new product development activities. The facility has a term of 12 months and bears interest at a fixed rate of 15% per annum. The facility was drawn down on 14 July 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 2026.

New accounting standards issued but not yet effective
At 30 June 2026, a number of accounting standards and amendments had been issued but were not yet mandatory for the Group. Management has not early adopted these standards. The most significant forthcoming change is AASB 18 Presentation and Disclosure in Financial Statements, which will modify the presentation of the statement of profit or loss and introduce additional disclosure requirements relating to management-defined performance measures and the aggregation/disaggregation of information. Management is currently assessing the potential impact on the Group's financial statements and related reporting processes. Based on the assessment performed to date, no other issued but not yet effective standards are expected to have a material impact on the Group's financial position or results of operations

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

AS AT 30 JUNE 2026

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 2026 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.C.

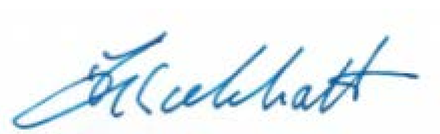
   (c) Other than the matters raised in Note 1.B there are reasonable

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

   (e) 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 2026.

On behalf of the Board,



Kyle Abbott
Chairman

Dated at Perth, Western Australia 28 August 2026

Horizon Nexus Partners
Horizon Nexus (WA) Audit Pty Ltd (ACN 145 447 105)
Level 4, 88 William Street, Perth WA 6000 | GPO Box 2570, Perth WA 6001
horizonnp.com.au

INDEPENDENT AUDITOR'S REPORT

To the members of Orbital Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Orbital Corporation Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial Orbital Corporation Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2026 and of its financial performance for the year then ended; and

(b) 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 Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to audits of the financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.B in the financial statements, which indicates that the Group recorded an after-tax loss of $4,759,000 (2025: $4,297,000) and operating cash outflows of $2,346,000 (2025: $2,693,000). As at 30 June 2026 the Group had net assets of $6,780,000 (2025: $8,566,000) and net current liabilities of $730,000 (2025: net current assets $243,000). The Group also had cash outflows from investing activities of $2,243,000 (2025: $2,510,000). As stated in Note 1.B, these events or conditions, along with other matters set forth in Note 1.B, 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 report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	
Area of focus	How our audit addressed the area of focus
Valuation of Inventories Refer to Note C.1 As at 30 June 2026, the Group held inventories with a carrying value of $4,722,000, 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 2026, the Group recognised a provision of $1,426,000 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 audit procedures included: • Assessing the application of inventory costing methodologies and whether this was consistent with the requirements of AASB 102; • Agreeing 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; • Checking the accuracy of allocation of overhead costs per the basis of calculation determined by the management; • Evaluating 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; • Checking the adequacy for provision for obsolete and slow-moving stocks based on future use of those inventories for production or rework; and • Checking the adequacy of the disclosures made in the consolidation financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2026 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

a) the financial report (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 report (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 report, the directors are responsible for assessing the ability of the company 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 company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2026.

In our opinion, the Remuneration Report of Orbital Corporation Limited for the year ended 30 June 2026, 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.

Horizon Nexus (WA) Audit Pty Ltd

Horizon Nexus (WA) Audit Pty Ltd

Muranda Cornelius

Director

Perth, Western Australia

Date: 28 August 2026

SHAREHOLDING DETAILS

Class of Shares and Voting Rights

As at 30 June 2026 there were 5,211 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 2026

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

Distribution of Shareholdings as at 30 June 2026

1-1,000	2,422
1,001-5,000	1,287
5,001-10,000	525
10,001-100,000	831
100,001 and over	146
Number of shareholders	**5,211**
Total Shares on Issue	**178,560,505**
Number of unmarketable parcels	**2,549,010**

Top 20 Shareholders as at 30 June 2026

		NUMBER OF SHARES HELD	% OF SHARES
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	54,101,872	30.30
2	BONEYARD INVESTMENTS PTY LTD	27,525,655	15.42
3	ANNAPURNA PTY LTD	3,074,167	1.72
4	BNP PARIBAS NOMINEES PTY LTD	2,742,105	1.54
5	CITICORP NOMINEES PTY LIMITED	2,349,290	1.32
6	WORLD FURNITURE DIRECT PTY LTD	2,198,619	1.23
7	MR ROBERT BRYDON RUDD	2,000,000	1.12
8	DEBUSCEY PTY LTD	1,850,000	1.04
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,578,562	0.88
10	MIDDLE PATMOS PTY LTD	1,550,000	0.87
11	BIRKETU PTY LTD	1,455,688	0.82
12	CAMROC INVESTMENTS PTY LTD	1,392,791	0.78
13	MR PETER DAVID MION	1,358,328	0.76
14	MR JOHN PAUL WELBORN	1,349,303	0.76
15	BNP PARIBAS NOMINEES PTY LTD	1,123,842	0.63
16	MR PHILIP BOMFORD	1,100,000	0.62
17	NETWEALTH INVESTMENTS LIMITED	959,183	0.54
18	MR MICHAEL WILLIAM FORD & MRS NINA BETTE FORD	900,000	0.50
19	VULCAN INVESTMENTS PTY LTD	900,000	0.50
20	MR JOHN PAUL WELBORN & MS CAROLINE ANNE WELBORN	891,323	0.50
Top 20 Shareholders Total		**110,400,728**	**61.85**

The 20 largest shareholders hold 61.85% of the ordinary shares of the Company (2025: 69.51%).

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

Telephone: 61 (08) 9441 2311
contact@orbitalcorp.com.au

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

Horizon Nexus (WA) Audit Pty Ltd

Level 4, 88 William Street
Perth, Western Australia 6000

| @OrbitalCorpASX

| Orbital UAV