



ORBITAL CORPORATION LIMITED
ACN 009 344 058

OPTIONS PROSPECTUS

FOR OFFERS OF 17,500,000 OPTIONS FOR SPECIFIC INVESTORS AND ADVISORS OF THE COMPANY.

THIS PROSPECTUS HAS ALSO BEEN PREPARED FOR THE PURPOSE OF FACILITATING SECONDARY TRADING OF ANY UNDERLYING SHARES ISSUED UPON EXERCISE OF THE OPTIONS PURSUANT TO ASIC CORPORATIONS (SALE OFFERS THAT DO NOT NEED DISCLOSURE) INSTRUMENT 2016/80.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

THE SECURITIES OFFERED IN CONNECTION WITH THIS PROSPECTUS ARE OF A HIGHLY SPECULATIVE NATURE.

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IMPORTANT INFORMATION

This Prospectus is dated 18 January 2023 and was lodged with ASIC on that date with the consent of all Directors. Neither ASIC nor ASX (or their respective officers) take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Options will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

A copy of this Prospectus is available for inspection at the registered office of the Company at 4 Whipple Street Balcatta WA, 6021 during normal business hours. Subject to applicable laws, the Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of certain other documents on request (see Section 4.4).

The Options offered by this Prospectus should be considered highly speculative. You should carefully consider whether the Options offered pursuant to this Prospectus are an appropriate investment for you in light of your personal circumstances, including your financial and taxation position. Please refer to Section 3 for details relating to investment risks.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

This Prospectus will be made available in electronic form. Persons having received a copy of this Prospectus in its electronic form may, subject to applicable laws, obtain an additional paper copy of this Prospectus (free of charge) from the Company's principal place of business by contacting the Company. The Placement Options Offer and the Lead Manager Options Offer (together the **Offers**) are only available in electronic form to eligible persons receiving an electronic version of this Prospectus within Australia (unless otherwise determined by the Board, subject to applicable laws).

Applications for Options under any Offers may only be made on an Application Form that is attached to, or provided by the Company with a copy of this Prospectus in either paper or electronic form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by a complete and unaltered copy of this Prospectus.

By returning the Application Form, you acknowledge that you have received and read this Prospectus and you have acted in accordance with the terms of the Offers detailed in this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offers, other than as is contained in this Prospectus. Any information or representation not contained in this Prospectus should not be relied on as having been made or authorised by the Company or the Directors in connection with the Offers.

No action has been taken to register or qualify the Options offered pursuant to this Prospectus, or the Offers, or otherwise to permit the offer of Options under this Prospectus in any jurisdiction other than Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus and any accompanying Application Form do not, and are not intended to, constitute an offer of securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or issue the Options. See Section 1.14 for further information on international offer restrictions.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Options have not been, and will not be, registered under the US Securities Act of 1933 (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Options may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

In accordance with the design and distribution obligations under the Corporations Act, the Company has determined the target market for the offer of Options under this Prospectus. The Company will only distribute this Prospectus to those investors who fall within the target market determination (**TMD**), which is available on the Company's website at www.orbitaluav.com/. By making an application under the Offers, you warrant that you have read and understood the TMD and that you fall within the target market set out in the TMD.

This Prospectus is a transaction specific prospectus for an offer of Options over continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

This Prospectus is important and should be read in its entirety before deciding to participate in any Offers. This Prospectus does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to their particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult their stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 3.

This Prospectus contains forward-looking statements which are identified by words such as "believes", "estimates", "expects", "targets", "intends", "may", "will", "would", "could", or "should" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company. Past performance is not a guide to future performance. Key risk factors associated with an investment in the Company are detailed (non-exhaustively) in Section 3. These and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law. The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

This Prospectus includes information regarding the past performance of Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Cooling off rights do not apply to an investment in Options offered under this Prospectus. This means that, unless required by applicable law, you cannot withdraw your Application. The Directors may at any time decide to withdraw this Prospectus and the Offers.

Any references to documents included on the Company's website or the ASX website are for convenience only, and none of the documents or other information available on those websites is incorporated in this Prospectus by reference.

Definitions of certain terms used in this Prospectus are contained in Section 6. All references to currency are to Australian dollars and all references to time are to AWST, unless otherwise indicated.

RISK FACTORS

There a number of risks associated with investing in the Company and in the share market generally. The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can affect the value of an investment in the Company.

An investment in the Company is speculative in nature and investors should be aware that they may lose some or all of their investment. Prospective investors should read this Prospectus in its entirety, and in particular, consider the risk factors detailed in Section 3, and also read announcements released by the Company to the ASX.

CORPORATE DIRECTORY

Directors

Mr John Welborn (Chairman)
Mr Todd Alder (Managing Director and Chief Executive Officer)
Mr Steve Gallagher (Non-Executive Director)
Mr Kyle Abbott (Non-Executive Director)

Company Secretary and Chief Financial Officer

Mr Thomas Spencer

Registered Office

Orbital Corporation Limited
4 Whipple Street
Balcatta, Western Australia, 6021

Telephone: +61 (08) 9441 2311
Email: contact@orbitalcorp.com.au
Website: www.orbitaluav.com

ASX Code: OEC

PROPOSED TIMETABLE

Event	Date*
Lodgement of Prospectus with ASIC	18 January 2023
Opening Date of the Offers	18 January 2023
Issue of Placement Shares under the Tranche 2 Placement	On or around 1 February 2023
Closing Date of the Offers	6 February 2023
Anticipated date of issue of Options	7 February 2023

** These dates are indicative only and subject to change. Subject to the Corporations Act and the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date, without prior notice.*

1 Details of the Offers

1.1 Background to the Offers

On 16 November 2022, Orbital Corporation Limited (ACN 009 344 058) (**Company**) announced that it had received commitments for a placement of 25,000,000 new Shares to raise \$5 million (before costs) at an issue price of \$0.20 per Share to be issued by the Company (**Placement Shares**), together with one free attaching Option for every two Placement Shares issued, exercisable at \$0.35 per Option and expiring three years from the date of issue of the Options (**Placement Options**), (together, the **Placement**). The Placement is comprised of the following two tranches:

- (a) the issue of 12,500,000 of the Placement Shares to institutional and sophisticated investors, together with 6,250,000 of the free attaching Placement Options (**Tranche 1 Placement Options**), (together, the **Tranche 1 Placement**); and
- (b) conditional upon Shareholder approval,¹ the issue of the remaining 12,500,000 Placement Shares to various parties, including the Directors of the Company (and/or their nominee(s)), the Company's largest Shareholder (UIL Limited (and/or its nominee(s))) and other institutional and sophisticated investors, together with the remaining 6,250,000 free attaching Placement Options (**Tranche 2 Placement Options**) (together, the **Tranche 2 Placement**).

The Placement Shares under the Tranche 1 Placement were issued on 23 November 2022 using the Company's available 15% placement capacity under Listing Rule 7.1. The Placement Shares issued under the Tranche 1 Placement were offered to sophisticated and professional investors without disclosure under the Corporations Act.

Shareholders approved (among other things) the issue of the Placement Shares under the Tranche 2 Placement and the proposed issues of the Tranche 1 Placement Options and Tranche 2 Placement Options, at the extraordinary general meeting of the Company held on 13 January 2023 (**General Meeting**). The Placement Shares under the Tranche 2 Placement are anticipated to be issued on or around 1 February 2023, prior to the Closing Date.

The participants in the Placement include various institutional and sophisticated investors identified by the lead manager for the Placement, Evolution Capital Pty Ltd (ACN 652 397 263) (**Evolution Capital**), in addition to the Directors and existing major Shareholders UIL Limited and the First Sentier Group (and/or their respective nominee(s)). Evolution Capital (and/or its nominee(s)) subscribed for 1,513,413 Shares pursuant to the Tranche 1 Placement and are anticipated to subscribe for 2,417,953 Shares pursuant to the Tranche 2 Placement (and, based on those subscriptions, Evolution Capital (and/or its nominee(s)) are offered the opportunity to apply for a total of 1,965,683 Placement Options pursuant to this Prospectus).

The Directors' (and/or their respective nominee(s)) participation in the Placement is as follows (as approved by Shareholders at the General Meeting):

- (a) Mr John Welborn (and/or his nominee(s)) is subscribing for 1,000,000 Placement Shares (and, based on that subscription, Mr Welborn (and/or his nominee(s)) is offered the opportunity to apply for a total of 500,000 Placement Options pursuant to this Prospectus);
- (b) Mr Todd Alder (and/or his nominee(s)) is subscribing for 50,000 Placement Shares (and, based on that subscription, Mr Alder (and/or his nominee(s)) is offered the opportunity to apply for a total of 25,000 Placement Options pursuant to this Prospectus);
- (c) Mr Kyle Abbott (and/or his nominee(s)) is subscribing for 50,000 Placement Shares (and, based on that subscription, Mr Abbott (and/or his nominee(s)) is offered the opportunity to apply for a total of 25,000 Placement Options pursuant to this Prospectus); and
- (d) Mr Steve Gallagher (and/or his nominee(s)) is subscribing for 100,000 Placement Shares (and, based on that subscription, Mr Gallagher (and/or his nominee(s)) is offered the opportunity to apply for a total of 50,000 Placement Options pursuant to this Prospectus).

¹ And, in the case of the proposed issues of Placement Shares and Tranche 2 Placement Options to UIL Limited, conditional on any approval required by the Australian Foreign Investment Review Board. That condition has now been satisfied.

UIL Limited is investing \$1,498,092 under the Tranche 2 Placement, comprising its subscription for 7,490,460 Placement Shares (which are anticipated to be issued on or around 1 February 2023). Based on that subscription, UIL Limited (and/or its nominee(s)) is offered the opportunity to apply for a total of 3,745,230 Placement Options pursuant to this Prospectus. Following the issue of those Placement Shares under the Tranche 2 Placement, UIL Limited would (to the Company's knowledge) hold a Relevant Interest in approximately 30% of the Shares (assuming no further changes in the Company's capital structure or UIL Limited's interests). If the 3,745,230 Placement Options detailed above are issued to UIL Limited and if it exercises those Placement Options into Shares (and assuming there are no further changes in the Company's capital structure or UIL Limited's interests) UIL Limited would (to the Company's knowledge) hold a Relevant Interest in approximately 32.1% of the Shares upon completion of the exercise of its Placement Options.

Of the institutional and sophisticated investors under the Placement, the First Sentier Group, being existing substantial holders in the Company, have invested (via Citicorp Nominees Pty Limited) \$278,317.40, comprising their subscription for 1,391,587 Placement Shares under the Tranche 1 Placement (which were issued on 23 November 2022) and are investing a further \$278,317.40, comprising their subscription for 1,391,587 Placement Shares under the Tranche 2 Placement (which are anticipated to be issued on or around 1 February 2023). Based on those subscriptions, First Sentier Group (and/or their nominee(s)) are offered the opportunity to apply for a total of 1,391,587 Placement Options pursuant to this Prospectus.

The offers of all of the Placement Options are being made pursuant to this Prospectus.

Refer to the Company's ASX announcements, such as those dated 16 November 2022 (being the initial announcements regarding the Placement), 6 December 2022 (being the notice of the General Meeting) and 13 January 2023 (being the results of the General Meeting) for further information.

1.2 The Placement Options Offer

The Company is offering pursuant to this Prospectus, all 12,500,000 of the Placement Options to the investors who were, or will be, issued Placement Shares, on the basis of one free attaching Placement Option for every two Placement Shares issued under the Placement (**Placement Options Offer**).

Only parties that were, or will be, issued Placement Shares may apply for Placement Options under the Placement Options Offer.

Placement Options offered under the Placement Options Offer will be issued on the terms and conditions detailed in Section 4.1. If Placement Options are exercised, the Shares to be issued upon such exercise will be of the same class and will rank equally in all respects with the Company's existing Shares on issue.

An Application Form in relation to the Placement Options Offer will be sent to any person eligible to receive Placement Options under the Placement Options Offer (and/or their nominee(s) acceptable to the Company) together with a copy of this Prospectus. See Section 1.10 for further details.

No funds will be raised as a result of the issue of Placement Options under the Placement Options Offer as they are offered on a free attaching basis to the Placement Shares under the Placement.

1.3 Lead Manager Options Offer

Pursuant to the Lead Manager Mandate, the Company agreed to issue Evolution Capital 5,000,000 Options (**Lead Manager Options**) as partial consideration for the lead manager services provided by Evolution Capital for the Placement (**Lead Manager Options Offer**).

Shareholders approved the issue of the Lead Manager Options to Evolution Capital (and/or its nominee(s)) at the General Meeting.

The terms and conditions of the Lead Manager Options will be the same as the Placement Options, as detailed in Section 4.1. If the Lead Manager Options are exercised, the Shares to be issued upon such exercise will be of the same class and will rank equally in all respects with the Company's existing Shares on issue.

Only Evolution Capital (and/or its nominee(s) acceptable to the Company) may apply for Lead Manager Options under the Lead Manager Options Offer. An Application Form in relation to the Lead

Manager Options Offer will be sent to Evolution Capital (and/or its nominee(s)) together with a copy of this Prospectus. See Section 1.10 for further details.

No funds will be raised as a result of the issue of Lead Manager Options under the Lead Manager Options Offer, as they are offered as partial consideration for the lead manager services provided by Evolution Capital to the Company pursuant to the Lead Manager Mandate.

Refer to Section 4.13 for a summary of the Lead Manager Mandate.

1.4 **Purpose of the Offers**

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

This Prospectus has been issued to facilitate any potential secondary trading of the Placement Options and Lead Manager Options and of any Shares which may be issued upon exercise of those Options. Issuing those Options under this Prospectus will enable persons who are issued the Options to on-sell the Shares issued on exercise of the Options pursuant to ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80.

Accordingly, the purpose of this Prospectus is to:

- (a) make the Offers; and
- (b) ensure that the on-sale of any Options and underlying Shares issued upon the exercise of the Options does not breach section 707(3) of the Corporations Act.

1.5 **Closing Date**

The Closing Date for the Offers is 5:00pm (AWST) on 6 February 2023. The Company reserves the right, subject to the Corporations Act and the Listing Rules to extend the Closing Date without prior notice or to close the Offers early. If the Closing Date is varied, subsequent dates may also be varied accordingly.

1.6 **Minimum subscription**

There is no minimum subscription in relation to the Offers.

1.7 **Oversubscriptions**

The Company will not accept any oversubscriptions in relation to the Offers.

1.8 **Effect on control**

The issue of the Options pursuant to the Offers will not itself have a direct impact on the control of the Company, however if Options are exercised into Shares, substantial holdings in the Company may increase (for example, as indicatively detailed in Section 2.1).

1.9 **Not underwritten**

The Offers are not underwritten.

1.10 **Applications**

The Company will send this Prospectus, together with the Application Form, to selected persons whom the Directors determine are eligible to participate in the Lead Manager Options Offer or the Placement Options Offer.

If you are eligible to participate in either of the Offers and wish to subscribe for Options, you should complete and return the Application Form, which will be provided with a copy of this Prospectus by the Company at the Company's discretion, in accordance with the instructions in the Application Form.

Application Forms must be received by the Company prior to 5:00pm (AWST) on the Closing Date. Application Forms should be mailed or emailed to:

Mailing Address:

Email Address:

Orbital Corporation Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

OR

CapitalMarkets@linkmarketservices.com.au

If you are in doubt as to the course of action, you should consult your professional advisor.

Applications must comply with this Prospectus and the instructions on the relevant Application Form. An Application is an offer by the Applicant to the Company to apply for the amount of Options specified in the Application Form on the terms set out in this Prospectus.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Options accepted by the Company. The Application Form does not need to be signed to be a binding application for Options.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form is final.

To the extent permitted by law, an Application is irrevocable.

1.11 Powers of the Company in relation to Applications

There is no assurance that any Applicant will be allocated any Options, or the number of Options for which the Applicant has applied. The Board may (without limitation) in its absolute discretion, without notice to any Applicant and without giving any reason:

- (a) withdraw either or both of the Offers at any time before the issue of Options to successful Applicants;
- (b) decline an Application;
- (c) accept an Application for its full amount or any lower amount;
- (d) determine a person to be eligible or ineligible to participate in the Offers;
- (e) waive or correct any errors made by an Applicant in completing their Application Form;
- (f) amend or waive the Offers application procedures or requirements in compliance with applicable laws; or
- (g) aggregate any Applications that they believe may be multiple Applications from the same person.

1.12 ASX Quotation

Application will be made to ASX no later than seven days after the date of this Prospectus for Official Quotation of the Options offered under this Prospectus. The Options will only be admitted to Official Quotation by ASX if the conditions for quotation of a new class of securities are satisfied.

Failure to obtain Official Quotation of the Options will not prevent the issue of the Options and will not cause any such issue to be void pursuant to the Corporations Act, as the Offers are not conditional upon Official Quotation being granted.

If Official Quotation is not granted, the Options issued pursuant to the Offers will not be able to be traded on ASX.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation is not to be taken in any way as an indication of the merits of the Company, Shares or the Options to be issued.

1.13 Allotment

The issue of Options pursuant to the Offers is proposed to take place as soon as practicable after the Closing Date of the Offers, subject to Board approval.

The Directors will determine the eligible recipients of all the Options under the Offers. The Company's decision on the number of Options to be issued to an Applicant under the Offers will be final.

1.14 Applicants outside Australia

This Prospectus and any accompanying Application Form do not, and are not intended to, constitute an offer of securities in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue the Options. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Prospectus may not be distributed to any person, and the Options may not be offered or issued, in any country outside Australia except to the extent permitted below.

Bermuda

No offer or invitation to subscribe for Options may be made to the public in Bermuda or in any manner that would constitute engaging in business in or from within Bermuda. In addition, no invitation is being made to persons resident in Bermuda for exchange control purposes to subscribe for such securities.

Germany

This Prospectus has not been, and will not be, registered with or approved by any securities regulator in Germany or elsewhere in the European Union. Accordingly, this Prospectus may not be made available, nor may the Options be offered for sale, in Germany except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of Options in Germany is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

Japan

The Options have not been, and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Options may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors.

Any Qualified Institutional Investor who acquires Options may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of such securities is conditional upon the execution of an agreement to that effect.

United Kingdom

Neither this Prospectus nor any other document relating to the Offers has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Options.

The Options may not be offered or sold in the United Kingdom by means of this Prospectus or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This Prospectus is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This Prospectus may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Options has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this Prospectus relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

1.15 **Risks of the Offers**

An investment in Securities of the Company should be regarded as highly speculative. In addition to the general risks applicable to all investments in Securities, there are specific risks associated with an investment in the Company, which are explained (non-exhaustively) in Section 3.

1.16 **Taxation Implications**

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Options under this Prospectus (nor of exercising those Options into Shares).

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Options under this Prospectus.

1.17 **Major Activities and Financial Information**

A summary of the activities and financial information relating to the Company for the year ended 30 June 2022 is in the Annual Report which was lodged with ASX on 31 August 2022.

The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Report are listed in Section 4.4.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that potential Applicants review these and all other announcements by the Company prior to deciding whether or not to participate in the Offers.

1.18 **Privacy**

The Company collects information about each Applicant provided on an Application Form for the purposes of processing that Application and, if the Application is successful, to administer the Applicant's security holding in the Company. Such information may be used to assess your Application, service your needs as a holder of Securities, provide facilities and services that you request and carry out appropriate administration.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's or Group's agents, contractors and third party service providers, including printers and mailing houses and professional advisers, and to ASX and regulatory authorities, or as otherwise permitted under the *Privacy Act 1988* (Cth).

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.19 **Enquiries Concerning this Prospectus**

Enquiries relating to this Prospectus should be directed to the Company's Company Secretary by telephone on +61 8 9441 2135.

2 Effect of the Offers

2.1 Effect on the Capital Structure

The effect of the Offers on the capital structure of the Company, assuming the Options pursuant to the Offers (and the Placement Shares pursuant to the Tranche 2 Placement) are issued, is as follows:

Class	Shares	Options ⁽³⁾	Performance Rights ⁽⁴⁾
Securities on issue as at the date of this Prospectus	104,503,335 ⁽¹⁾	-	430,464
Placement Shares to be issued under the Tranche 2 Placement	12,500,000 ⁽²⁾	-	-
Options to be issued pursuant to the Placement Options Offer	-	12,500,000	-
Options to be issued pursuant to the Lead Manager Options Offer	-	5,000,000	-
Total⁽⁵⁾	117,003,335	17,500,000	430,464

Note:

- (1) This figure includes the 12,500,000 Placement Shares that were issued under the Tranche 1 Placement on 23 November 2022.
- (2) The Placement Shares under the Tranche 2 Placement are anticipated to be issued on or around 1 February 2023.
- (3) 17,500,000 Options to be issued under this Prospectus (including the Placement Options and Lead Manager Options), the terms and conditions of which are detailed in Section 4.1.
- (4) Performance Rights issued under the Company's Employee Incentive Plan.
- (5) On a fully diluted basis, assuming all of the Options and Performance Rights detailed above convert into Shares, the Company's issued capital detailed above would equate to 134,933,799 Shares. No forecast is made of whether any Options or Performance Rights will be converted into Shares (nor whether any of the Performance Rights vesting conditions will be satisfied).

If (after the issue of the Placement Shares under the Tranche 2 Placement) the Placement Options which UIL Limited may apply for under this Prospectus are issued and exercised into Shares by UIL Limited (but assuming there are no further changes in the Company's capital structure or UIL Limited's interests), UIL Limited's (and its associates') Relevant Interest in Shares would (to the Company's knowledge) increase to approximately 32.1% of the Company's issued Shares.

Separately, if (after the issue of the Placement Shares under the Tranche 2 Placement) the Placement Options which First Sentier Group may apply for under this Prospectus are issued and exercised into Shares by the First Sentier Group (but assuming there are no further changes in the Company's capital structure or First Sentier Group's interests), First Sentier Group's (and its associates') Relevant Interest in Shares would (to the Company's knowledge) increase to approximately 14.2% of the Company's issued Shares.

2.2 Effect of the Offers on the Company and Use of Funds

No funds will be raised as a result of the Placement Options Offer or the Lead Manager Options Offer.

The Placement Options are offered for nil cash consideration, as they are free attaching on the basis of one Option for every two Placement Shares issued under the Placement. The Lead Manager Options are offered for nil cash consideration, as the consideration for those Options was lead manager services provided to the Company by Evolution Capital pursuant to the Lead Manager Mandate in relation to the Placement.

The expense of the Offers will be met from the Company's existing cash reserves. The Offers will have an effect on the Company's financial position of reducing the cash balance by approximately \$106,622.

The Company will receive \$0.35 (before costs) for each Option which is exercised (if any) during the exercise period for the Options. If all 17,500,000 Options are issued pursuant to the Offers and are subsequently exercised into Shares, the Company will receive approximately \$6,125,000 (before costs). There is no certainty that, and no forecast is made of whether, any of the Options will be exercised.

Funds raised from the Placement Shares, and any exercise of the Options, are indicatively proposed to be used towards the Company's UAV engine development programs and general working capital and corporate costs requirements. The Company's Board reserves the right to reallocate funds for alternative purposes, as may be deemed necessary by the Board.

Please refer to Section 4.15 for details on the estimated expenses of the Offers.

2.3 **Market Price of Shares**

The highest and lowest closing prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those closing prices were:

Highest: \$0.275 per Share on 24 October 2022

Lowest: \$0.145 per Share on 9 December 2022

The latest available closing price of the Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.17 per Share on 17 January 2023.

2.4 **Dividend Policy**

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company (and the Board's discretion).

3 Risk Factors

An investment in Options offered by this Prospectus should be regarded as highly speculative. Activities in the Company, as in any business, are subject to risks which may impact on the Company's future performance. Various risks are outside of the Company's control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which prospective investors need to be aware of in evaluating the Company's business and the risks of investing in the Company. Prospective investors should carefully consider the following factors in addition to the other information presented in this Prospectus.

The principal risks include, but are not limited to, the following:

3.1 Specific Risks Associated with the Company

(a) Reliance on key contracts and relationships

The Company's business relies on business relationships, including its relationships with its suppliers and key customer, Insitu. For the Company's financial year ended 30 June 2022, the Company's long term agreement (**LTA**) with Insitu accounted for approximately 68% of the Company's revenue. Insitu may terminate the LTA for convenience, default or force majeure. If any key contract is terminated, varied or not renewed, this may have a material adverse effect on the financial performance, financial position and/or reputation of the Company.

Further, given the LTA has accounted for a significant proportion of the Company's revenue, the Company is exposed to any interruption to, or reduction in, Insitu's demand for engine orders. This lack of customer diversity is a key risk for the Company. As at the date of this Prospectus, the Company is currently unaware of any reason for Insitu terminating or materially revising the LTA or Insitu not renewing the LTA.

The LTA expires and will terminate on 30 September 2023 and there is a risk that it may not be renewed or replaced.

(b) Reliance on key suppliers

The Company depends on key suppliers for the supply of critical and unique components for use in engines and engine management systems sold by the Company to its customers. There are also certain components for which the Company has a single or limited source of supply. Accordingly, there is a risk that, if any of the Company's key suppliers cease or reduce supply (or if a supplier fails to meet commercial and operational requirements), this could cause a disruption to the Company's ability to deliver its products and consequently cause the Company to default on scheduled timing and obligations to provide engines and engine management systems. Key suppliers may become insolvent or cease operating for various other reasons. Supply chain interruptions have the capacity to adversely impact upon production forecasts and shipments and the Company's financial performance.

Moreover, the Company may have difficulty in sourcing alternative suppliers for certain components which are only available from a single source. The Company has undertaken supply chain initiatives to seek to de-risk supply interruptions. However, supply chain interruptions remain a risk item for the Company.

Further to this, there is a risk that, if any of the Company's key suppliers increase prices, this could cause a disruption to the Company's ability to deliver its products or adversely impact on the Company's financial results. For example, a key risk to the Company is the ability to maintain the budgeted gross margin on certain production lines as some key suppliers have increased prices with further increases possible. The Company is seeking to manage this risk through:

- continuous cost control;
- alternative part sourcing where possible;
- price locks in critical supplier agreements;

- inventory (stock on hand); and
- customer sale price negotiation.

(c) **Manufacturing facility**

The Company operates from an aerospace manufacturing facility in Balcatta, Western Australia. The Company is reliant on third parties in relation to the supply of parts and the ongoing maintenance, repair and calibration of that facility or its replacement in case of catastrophic failure. If the Company is unable to source suitable equipment and parts, or is unable to procure parts and services within the required lead times, its ability to perform existing contracts or commence new contracts may be adversely affected. The performance of contractual obligations is dependent on the continued availability of facilities in working order with sufficient capacity to meet demand and design specifications.

(d) **Industry cycle**

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

(e) **Future Performance**

There is no guarantee that the Company will receive future revenues in line with its forecasts. Further, the Company gives no guarantee of whether it will become profitable.

(f) **Occupational Health and Safety Risks**

Manufacturing activities may expose the Company's staff to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. If any of the Company's employees suffers injury or death, compensation payments or fines may be payable and such circumstances could result in the loss of a licence or permit required to carry on the business. Such an incident may also have an adverse effect on the Company's business and reputation.

(g) **Organisational Capability Risks**

The Company must effectively manage the Company's skills, knowledge and resources to provide quality products to its customers. The Company has taken measures to address these threats to seek to mitigate risks to organisational capability, such as a focus on technological innovation, in house and external training, succession planning and employee incentive plans for the grant of performance rights, options and/or Shares to eligible employees that meet pre-determined benchmarks.

(h) **Uncertainty of market acceptance**

The Company develops technology for use by customers in the aerospace and defence sectors. It is not yet known whether the Company's technology and products (including engines, and engine management systems, for tactical UAVs) will be widely accepted in the market or the rate of any market acceptance. The degree of market acceptance will depend on a number of factors, including the establishment and demonstration of the need, safety, efficacy and cost-effectiveness of the Company's technology and products, and the technology's advantages over existing technologies. The Company cannot be certain that current levels of spending by its key customer will be maintained, that its existing customer contracts will be renewed or that the Company will win contracts from other customers. For example, the Company cannot confirm whether it will ultimately receive contracts for the sale of its products to AeroVironment Inc., Animal Dynamics, Anduril or Skyways, as mentioned in the Company's ASX announcements.

(i) **Product faults and research and development**

There is a risk of the engines and engine management systems sold by the Company being faulty or otherwise breaching product specification requirements and contractual obligations. These matters could adversely affect the Company's financial performance, financial position and reputation. The Company's business activities and operations involve research and development, which has inherent risk, such as infringing third party intellectual property, non-compliance with laws and potentially wasted resources.

(j) **Insurance**

The Company maintains insurance coverage to address certain specific risk exposures relevant to its current business operations. However, the Company's insurance policies, in some circumstances may not provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

(k) **Disputes**

The activities of the Company may result in disputes with third parties, including, without limitation, the Company's investors, competitors, regulators, partners, distributors, customers, suppliers, directors, officers and employees, and service providers. The Company may incur substantial costs in connection with such disputes.

(l) **Reliance on key personnel**

The Company's success depends to a significant extent upon key management personnel, as well as other management and technical personnel, including those employed on a contractual basis. The loss of the services of certain personnel could materially adversely affect the Company and its activities.

(m) **Intellectual property protection**

The Company principally relies upon patents, trade secrets, copyright and contract law to protect its intellectual property in its proprietary technology. The protective measures taken by the Company may not be adequate to protect its intellectual property in its proprietary technology. Many of the laws of foreign countries treat the protection of proprietary rights differently from, and may not protect proprietary rights to the same extent as do, laws in Australia. In addition, the laws of many countries, including Australia, provide governments with the ability to control or restrict the export of defence-related technologies and products developed from such technologies. Patent matters involve complex legal and factual questions. Accordingly, the Company cannot predict the availability and breadth of claims sought in relation to patents applied for. Statutory differences in patentable subject matter between countries may limit the protection the Company can obtain for some of its inventions, or prevent it from obtaining patent protection, in some countries. Additionally, the enforceability of a patent is dependent on a number of factors, which may vary between jurisdictions. These factors may include the novelty of the invention, the requirement that the invention not be obvious, the utility of the invention, the extent to which the patent clearly describes the best method of working the invention, and whether the patent's claims are fairly based on its specification.

The Company has obtained and continues to seek patent protection for its technology. Furthermore, the Company cannot be certain that patents held by third parties will not prevent the commercialisation of products incorporating its technology or that third parties will not challenge or seek to narrow, invalidate or circumvent any of its issued, pending, or future patents. The Company may need to litigate to enforce patents, or to determine the scope and validity of third party proprietary rights. It is possible that the Company could incur substantial costs and be diverted from its efforts to commercialise products. The Company relies on unpatented trade secrets, know-how and proprietary technological innovation and expertise, which are protected, in part, by confidentiality. There is a risk of the loss of that confidentiality or of other events occurring which may compromise the Company's competitive position.

(n) **Development timeline**

In specialised fields such as engine development, unanticipated issues may arise for which it is not possible to expediently solve the issue or obtain the appropriate expertise. Design and construction of the Company's engine models may be slower than expected, due to the novelty of the design, lack of experience in its construction, or other factors. However, the Company has established processes for the control and traceability of all products and consumables to mitigate this risk.

(o) **Competing technologies**

The aerospace industry market is highly competitive and can be subject to significant technological change. Large, well-established aerospace companies are engaged in research and development and have considerably greater resources than the Company to develop applications for aerial surveillance technology. The aerospace industry market is characterised by changing technology, evolving industry standards, introductions and enhancements and changing customer demands. Normal business risks associated with the current state of market conditions for the aerospace industry and possible change in customer requirements which cannot reasonably be foreseen are a significant risk for the Company. Accordingly, the Company's success may depend on its ability to adapt to change.

The Company's commercial success depends in part upon whether its products can compete successfully against both existing and new engine technologies, including new technologies that are similar to the Company's technologies. The Company's products may not be able to compete in the market and they may become obsolete.

(p) **Adverse events involving facilities, technology or products**

Any technology that involves tactical UAVs presents a risk of catastrophic failure and other adverse events occurring. Any accident or failure involving the Company's technology, products or facilities, whether during manufacture or in use by the Company or its customers, and whether being used in the correct manner or not, could damage the Company's reputation and marketing ability and expose the Company to the risk of litigation, legal penalties and other adverse impacts, such as in relation to loss of life, property damage, spillage of toxic substances and other environmental pollution.

(q) **Government regulation**

The Company develops products for use in the aerospace and defence sectors, which are subject to extensive regulation. Products manufactured using the Company's technology may also be subject to government regulation, including regulations governing use, specification, manufacture, handling, disposal, packaging, labelling, transport and import/export in Australia and in each of the countries into which such products are exported. Failure to comply with government regulations could result in the Company being unable to sell its products in those jurisdictions. Further, the withdrawal of any regulatory permits or exemptions currently enjoyed by the Company could have a material adverse effect on the Company and its activities.

(r) **Contract risk**

The Company depends on contracts and memoranda of understanding (**MOU**) to grow its business. A failure to negotiate contracts and MOUs effectively could threaten the Company's success. Poor negotiations by the Company may mean that contractual obligations are not achieved due to onerous terms and conditions imposed by customers and contractual obligations not being adequately controlled with suppliers. In addition, the Company is exposed to Federal Contract flow-down risks when engaging with prime contractors subject to US export controls.

(s) **Obtaining sufficient funding**

The Company requires significant capital amounts to conduct its business. In the past, these costs have been paid with a combination of operating revenues, equity injections, debt and other financing. However, there can be no assurance that the Company will have sufficient operating revenues to fund future costs or that outside financing will be available at affordable prices, or at all. A failure to obtain sufficient financing for ongoing costs could prevent the

Company from carrying out business plans on time and give an advantage to competitors with greater financial resources. A shortage of financing may cause long delays in, or prevent, the further development and commercialisation of the Company's technology, and customers could choose to use competing technologies. This could have a material adverse effect on the Company's business, results of operations and financial position.

(t) **COVID-19 pandemic risk**

Like many businesses in Australia and around the world, the Company has closely monitored – and continues to monitor – the business risks presented by the Coronavirus (**COVID-19**) pandemic. The physical wellbeing and mental health of all our people is a priority and the Company implemented a COVID-19 Response Plan to seek to minimise the risk of contracting or spreading the virus. As an advanced aerospace manufacturer supplying global defence prime contractors, the demand for the Company's products was materially unaffected by COVID-19. Delivery of the Company's products continued through established logistics providers, and contingency plans were put in place to mitigate the impact on existing channels of delivery. Notwithstanding the above, there is a risk that the COVID-19 pandemic, and any future pandemics or other natural disasters, may adversely affect the Company's financial position and financial performance.

(u) **Foreign currency**

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 Company's exposure to the risk of changes in foreign exchange rates relates to the Company's operating activities, in which sales and purchases are denominated in foreign currencies. The Company is specifically exposed to currency risk on financial assets and liabilities held in the United States of America. The Company's expenditure obligations in America are primarily in the United States Dollar and as a result the Company is exposed to fluctuations between the United States Dollar and the Australian dollar. The Company is also exposed to foreign exchange risk arising from the translation of its operations in the United States. The Company manages its exposure to foreign currency risk by regularly monitoring and performing sensitivity analysis on the Company's financial position and performance as a result of movements in foreign exchange rates. The Company holds bank accounts in foreign denominated currencies which are converted to Australian dollars through rate orders for targeted exchange rates. The Company has foreign currency hedging facilities available as part of its bank facilities. Currently the Company does not directly hedge against its foreign currency exchange risk to a material extent. There is a risk that the Company's financial performance and financial position may be adversely impacted by fluctuations in currency exchange rates.

The Company is also exposed to variability in foreign exchange rates due to the material value of sales revenue invoicing being denominated in USD, whilst the Australian operating entity represents a material cost base denominated in AUD with obligations such as payroll, inventory purchases and operating overheads. The operating risk is a loss in AUD due to exchange rate fluctuations (USD:AUD), with an adverse impact on cash flow.

(v) **Liquidity risk management**

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay financial liabilities as and when they fall due. The liquidity position of the Company is managed to seek to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost effective manner. The Company's liquidity position is managed by the Board of Directors who regularly review cash flow forecasts prepared by management, which includes the Company's short and long-term obligations, cash position and forecast liability position to maintain appropriate liquidity levels. A reduction in the Company's working capital threatens the Company's ability to manufacture and develop its products and its financial position. The Company aims to address this risk through optimised supplier delivery and payments, effective inventory management, seeking to ensure customer receipts are returned on time and oversight of the effect of delays in project deliverables (although there are no guarantees such efforts will succeed).

(w) **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 Company's exposure to market interest rates relates primarily to the Company's cash and term deposits with financial institutions, with no exposure to debt interest rates currently. The primary goal of the Company is to maximise returns on surplus cash, using deposits with maturities of 90 days or less. Management continually monitors the returns on funds invested.

(x) **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 Company is exposed to credit risk from its operating and investing activities, including trade receivables and short-term deposits with financial institutions. The significant concentration of credit risk within the Company relates to receivable balances from the Company's major customer, Insitu.

It is Company policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

Key individual customer receivable balances are monitored on an ongoing basis. The significant concentrations of credit risk within the Company relate to receivable balances from the Company'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.

(y) **Capital risk management**

When managing capital, management's objective is to ensure the entity continues as a going concern. In order to maintain or adjust the Company's capital structure from time to time, the Company may issue new Shares or other securities or borrow funds.

(z) **Product liability exposure**

There is no assurance that unforeseen adverse events or manufacturing defects will not arise in the Company's products. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of regulatory approval for the relevant products and/or monetary damages and other remedies being awarded against the Company. There is also a risk of the Company failing to deliver on customer contract technical requirements. In such events, the Company's liability may exceed the Company's insurance coverage, if any.

(aa) **Cyber Security**

The Company relies heavily on its information technology systems including its networks, equipment, hardware, software, telecommunications and other information technology, including in the engines and engine management systems sold by the Company, (collectively, **IT systems**), and the IT systems of third-party service providers, to operate its business as a whole. The Company's operations depend on the timely maintenance, upgrade and replacement of its IT systems, as well as pre-emptive efforts to mitigate cybersecurity risks and other IT system disruptions. IT systems are subject to an increasing threat of continually evolving cybersecurity risks from sources including computer viruses, cyber-attacks, natural disasters, power loss, defects in design, security breaches and other manipulation or improper use of the Company's systems and networks, resulting in, among other things, unauthorized access, disruption, damage or failure of the Company's IT systems (collectively, **IT Disruptions**). Although to date the Company has not experienced any material data losses or financial impost relating to such IT disruptions, there can be no assurance that it will not incur such losses in the future. The occurrence of one or more IT Disruptions could have effects such as damage to the Company's products and equipment, manufacturing downtimes, operational delays, destruction or corruption of data, increases in capital and operating expenditures, loss of assets, expensive remediation efforts, distraction of management, damage to the Company's reputation or events of noncompliance which could lead to regulatory fines or penalties or ransom payments. Any of the foregoing could have a material adverse effect on the Company's results of operations and financial performance.

(bb) **Climate change risk**

Climate change is a risk the Company has considered, particularly related to its operations in the aerospace industry. The emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation may adversely impact the Company and its business. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company and its operations will not be impacted by these occurrences. Climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industries in which the Company operates and materially adversely affect the value of Shares and Options. Insurance cover availability against the risks of climate change is subject to the similar conditions and restraints noted above.

(cc) **Control risks**

Following the issue of the Placement Shares under the Tranche 2 Placement, UIL Limited and its associates (together, the **UIL Parties**) are anticipated to hold voting power in approximately 30% of the Shares in the Company (assuming no further changes in the Company's capital structure or the UIL Parties' interests in the Company). Given the UIL Parties already hold voting power in more than 25% of the Shares in the Company at the date of this Prospectus, this means that they already have the ability (even before the issue of Placement Shares pursuant to the Tranche 2 Placement) to prevent a special resolution from being passed by the Company (such resolution requiring at least 75% of the votes cast by members entitled to vote on the resolution). The UIL Parties' significant interest in the capital of the Company also means that they are in a position to potentially influence the financial decisions of the Company, and the UIL Parties' interests may not align with those of all other Shareholders.

The Company has arranged a \$1 million standby, unsecured, 12-month credit facility with the ICM Group, manager of UIL Limited, as the Company announced to the ASX on 1 July 2022. There is no impact to control risk arising from that facility, and to date the facility has not been drawn upon.

UIL Limited may apply for Placement Shares and Placement Options pursuant to the Tranche 2 Placement, as approved by Shareholders at the General Meeting. Following the issue of those Placement Shares under the Tranche 2 Placement, which is anticipated to occur on or around 1 February 2023, the UIL Parties would (to the Company's knowledge) hold a Relevant Interest in approximately 30% of the Company's issued Shares (assuming no further changes in the Company's capital structure or the UIL Parties' interests in the Company). If the Placement Options which UIL Limited may apply for under this Prospectus are issued and exercised into Shares by UIL Limited (but assuming there are no further changes in the Company's capital structure or the UIL Parties' interests), the UIL Parties' Relevant Interest in Shares would (to the Company's knowledge) increase to approximately 32.1% of the Company's issued Shares.

(dd) **Additional requirements for capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

3.2 **General Risks**

(a) **Economic Risks and Market Conditions**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of Shares and Options regardless of the Company's operating performance. Factors that may contribute to that general economic climate include, but are not limited to:

- the level of direct and indirect competition against the Company and demand for the Company's products;
- general economic conditions;
- uncertainty in the Australian, US (and global) economies or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- increases in expenses (including the cost of goods and services used by the Company and general commodity prices);
- changes in government policies, taxation and other laws (including variations to existing taxes and the introduction of new taxes);
- the strength of, and fluctuations in, the equity and share markets in Australia and throughout the world;
- movement in, or outlook on, exchange rates, interest rates and inflation rates;
- industrial disputes in Australia and overseas;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital;
- financial failure or default by an entity with which the Company may become involved in a contractual relationship; and
- natural disasters, social upheaval, terrorism or war.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. Neither the Company nor its Directors warrant the future performance of the Company or any return to Shareholders or Option holders.

(b) Litigation Risks

The participation by the Company in the aerospace industry may expose the Company to possible litigation risks, including (without limitation) customer claims, environmental claims, occupational health and safety claims and employee claims. The Company may also be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not presently involved in material litigation and the Company's Directors are not aware of any basis on which any material litigation against the Company may arise.

(c) Taxation and government regulations

Changes in taxation and government legislation in a range of areas (for example, the Corporations Act, accounting standards and taxation law) can have a significant influence on the outlook for companies and the returns to investors.

(d) Risks associated with an investment in the Company

As with all stock market investments, there are risks associated with an investment in the Company. Securities listed on the ASX have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of Shares regardless of the Company's performance. There is no assurance that the price of Shares will increase in the future.

(e) **Unforeseen Expenses**

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

(f) **Broader General Risks**

There are also a number of broader general risks which may impact the Company's performance. These include (without limitation):

- abnormal stoppages in normal business operations due to factors such as war, political or civil unrest, terrorism, infrastructure failure or industrial disruption; and
- higher than budgeted costs associated with the provision of product and service offerings.

(g) **Accounting standards**

Australian accounting standards are set by the Australian Accounting Board and are outside of the Company's control. Changes to accounting standards could materially adversely affect the financial performance and position reported in the Company's financial statements.

3.3 **Investment Highly Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors and others not specifically referred to above, may, in the future, materially affect the financial performance of the Company and the value of the Options offered under this Prospectus (and the value of Shares).

The Options offered under this prospectus carry no entitlement to dividends or returns of capital and no guarantee with respect to the value, nor availability of a market to transfer, those Options.

Shares which may be issued upon exercise of Options carry no guarantee with respect to the payment of dividends, returns of capital or the value, nor availability of a market to transfer, those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Options. The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

4 **Additional Information**

4.1 **Terms & Conditions of the Options**

The terms and conditions of (including the rights and liabilities attaching to) the proposed Options being offered under the Offers are as follows:

(a) **Entitlement**

Each Option entitles the holder of the Option (**Holder**) to subscribe for one (1) Share upon exercise of the Option.

(b) **Exercise Price and Expiry Date**

Exercise Price per Option	Expiry Date
\$0.35	Three (3) years from the date of issue

(c) **Exercise Period**

Each Option is exercisable at any time prior to the Expiry Date. After this time, any unexercised Options will automatically lapse.

(d) **Notice of Exercise**

The Options may be exercised by notice in writing to the Company (in a form acceptable to the Company), (**Option Exercise Form**) and payment to the Company of the applicable Exercise Price for each Option being exercised. Any Option Exercise Form for an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(e) **Minimum Exercise Price**

Options must be exercised in multiples of two thousand (2,000) unless fewer than two thousand (2,000) Options are held by a Holder.

(f) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then Shares of the Company and are free of all encumbrances, liens and third party interests. Upon issue of the Shares, the Holder agrees to become a member of the Company and to be bound by the Constitution.

(g) **Quotation of Shares**

If admitted to the official list of the Australian Securities Exchange (**ASX**) at the time, the Company will apply to ASX for official quotation of the Shares issued upon the exercise of the Options.

(h) **Timing of Issue of Shares and Quotation of Shares on Exercise**

Within five (5) Business Days after receipt of an Option Exercise Form given in accordance with these terms and conditions and payment of the applicable Exercise Price for each Option being exercised, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Option Exercise Form and for which cleared funds have been received by the Company; and
- (ii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

(i) **Participation in new issues**

A Holder who holds Options is not entitled to:

- (i) notice of, or to vote or attend at, a meeting of the shareholders;
- (ii) receive any dividends declared by the Company; or
- (iii) participate in any new issues of securities offered to shareholders during the term of the Options,

unless and until the Options are exercised and the Holder holds Shares.

(j) **Adjustment for bonus issue of shares**

If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Holder would have received if the Holder of an Option had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(k) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing shareholders (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment) there will be no adjustment to the Exercise Price of an Option.

(l) **Adjustment for reorganisation**

If there is any reorganisation of the capital of the Company, the rights of the Holder will be varied to comply with the Listing Rules that apply to the reorganisation at the time of the reorganisation.

(m) **Quotation of Options**

The Company will apply for official quotation of the Options on ASX. Subject to satisfying the ASX requirements for quotation as an additional class and subject to ASX granting official quotation, the Options would be quoted on ASX. If the ASX requirements are not satisfied after then, the Options will not be quoted on ASX.

(n) **Options transferable**

The Options are transferrable subject to compliance with the *Corporations Act 2001* (Cth).

(o) **Lodgement Requirements**

Cheques shall be in Australian currency made payable to the Company and crossed 'Not Negotiable' for the application for Shares on the exercise of the Options.

4.2 **Rights and Liabilities Attaching to Shares**

The following is a summary of the more significant rights and liabilities attaching to the Shares of the Company. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice. Details of rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition or (as applicable) convene meetings, including in accordance with sections 249D, 249E or 249F of the Corporations Act.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote in respect of each Share carrying the right; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

(c) **Dividend rights**

The Directors alone may declare a dividend to be paid to Shareholders. The dividend is payable at a time determined in the Directors' discretion. No dividend may be declared or paid

except as allowed by the Corporations Act. No interest is payable in respect of unpaid dividends.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for the purpose set such value as the liquidator considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) **Shareholder liability**

Shares issued upon exercise of the Options will be fully paid ordinary shares. Consequently, those Shares will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(g) **Variation of Rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution at the general meeting. In addition, at least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

4.3 **Company is a Disclosing Entity**

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act, and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Options are options over the Company's Shares. Shares have been quoted on the official list of the ASX during the three months prior to the issue of this Prospectus.

This Prospectus is a 'transaction specific prospectus' to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities, or options to acquire securities, in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus. In general terms 'transaction specific prospectuses' are only required to contain information in relation to the effect of the issue of Options on the Company and the rights attaching to the Options and the underlying Shares upon exercise of the Options. It is not necessary to include general information in relation to all of the assets and liabilities, the financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX, and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already

listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the three months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the Annual Report being the most recent annual financial report of the Company lodged with the ASIC before the issue of this Prospectus; and
 - (ii) any continuous disclosure notices announced by the Company to the ASX after the lodgement of the Annual Report referred to in paragraph (i) above and before the lodgement of this Prospectus with ASIC.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 4.4 below).

4.4 Copies of Documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Offers, a copy of:

- (a) the Annual Report, which includes the annual financial report most recently lodged with ASIC by the Company before the issue of this Prospectus; and
- (b) the following notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Report referred to in paragraph (a) and before the lodgement of this Prospectus with ASIC:

Date Lodged	Title of Announcement
31/08/22	FY22 Full Year Audited Financial Results
31/08/22	Appendix 4G
31/08/22	Corporate Governance Statement 2022
02/09/22	AGM Advanced Notice
13/09/22	New contract signed with Anduril
16/09/22	Disclosure Document
16/09/22	Change of Director's Interest Notice
16/09/22	Application for quotation of securities - OEC
20/09/22	Orbital UAV secures new customer
28/09/22	Application for quotation of securities - OEC
30/09/22	Notification of cessation of securities - OEC

Date Lodged	Title of Announcement
14/10/22	Notice of Annual General Meeting / Proxy Form
17/10/22	Investor Update Presentation
28/10/22	Thomas Spencer appointed CFO
03/11/22	Engine shipments commence for Australian Army
14/11/22	Trading Halt
16/11/22	Orbital UAV to raise \$5 million
16/11/22	Proposed issue of securities - OEC
16/11/22	Chairman's Address to Shareholders
16/11/22	2022 AGM Formal Business & CEO's Presentation
16/11/22	Results of Meeting
23/11/22	Application for quotation of securities - OEC
23/11/22	Cleansing Notice
25/11/22	Change in substantial holding
28/11/22	Change in substantial holding
28/11/22	Change in substantial holding from MUFG
30/11/22	Notification of cessation of securities – OEC
06/12/22	Notice of General Meeting/Proxy Form
12/12/22	Orbital UAV signs MoU with UK customer
19/12/22	Company Update
13/01/23	Results of Extraordinary General Meeting

The following documents are available for inspection throughout the period of the Offers during normal business hours at the registered office of the Company at 4 Whipple Street, Balcatta WA 6021:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 4.17.

4.5 Information Excluded from Continuous Disclosure Notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

4.6 Determination by ASIC

ASIC has not made a determination that would prevent the Company from relying on section 713 of the Corporations Act in issuing Options under this Prospectus.

4.7 Directors' Interests

Except as disclosed in this Prospectus, no Director (or entity in which they are a director, partner and/or a shareholder):

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the Offers, the formation or promotion of the Company, the Options offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or

- (b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her (or by an entity in which they are a director, partner and/or a shareholder) in connection with the formation or promotion of the Company or the Offers.

4.8 Directors' Interests in Securities

The Directors' anticipated Relevant Interests in Securities following the proposed issue of the Placement Shares under the Tranche 2 Placement, but prior to the issue of Options under this Prospectus, are detailed below:

Director	No. of Shares	No. of Options	Performance Rights
Mr John Welborn	1,991,667 Shares ⁽¹⁾	-	-
Mr Todd Alder	1,471,639 Shares ⁽²⁾	-	374,400 Performance Rights ⁽³⁾
Mr Kyle Abbott	85,000 Shares ⁽⁴⁾	-	-
Mr Steve Gallagher	216,668 Shares ⁽⁵⁾	-	-

Note:

- (1) This figure includes:
- (a) 199,380 Shares held at the date of this Prospectus by John Paul Welborn;
 - (b) 792,287 Shares held at the date of this Prospectus by John Paul Welborn & Caroline Anne Welborn as trustees for the Welborn Family Trust; and
 - (c) the 1,000,000 Placement Shares to be issued to Mr John Welborn (and/or his nominee(s)) under the Tranche 2 Placement (as detailed in Section 1.1).
- (2) This figure includes:
- (a) 1,421,639 Shares held at the date of this Prospectus by Todd Alder; and
 - (b) the 50,000 Placement Shares to be issued to Mr Todd Alder (and/or his nominee(s)) under the Tranche 2 Placement (as detailed in Section 1.1).
- (3) This figure includes:
- (a) 234,000 Performance Rights held at the date of this Prospectus by Todd Alder, with a vesting price of \$1.50, expiring 30 September 2023; and
 - (b) 140,400 Performance Rights held at the date of this Prospectus by Todd Alder, with a vesting price of \$2.50, expiring 30 September 2023.
- (4) This figure includes:
- (a) 35,000 Shares held at the date of this Prospectus by Frederick Kyle Abbott and Susan Jane Abbott as trustees for the K & S Abbott Superannuation Fund; and
 - (b) the 50,000 Placement Shares to be issued to Mr Kyle Abbott (and/or his nominee(s)) under the Tranche 2 Placement (as detailed in Section 1.1).
- (5) This figure includes:
- (a) 58,334 Shares held at the date of this Prospectus by Invia Custodian Pty Limited as trustee for the Gallagher Family Superannuation Fund;
 - (b) 58,334 Shares held at the date of this Prospectus by Invia Custodian Pty Limited as trustee for the Gallagher Family Trust; and
 - (c) the 100,000 Placement Shares to be issued to Mr Steve Gallagher (and/or his nominee(s)) under the Tranche 2 Placement (as detailed in Section 1.1).

The interests in the table above include the Placement Shares to be issued to each Director (and/or their nominee(s)) as detailed in Section 1.1, but do not include the Placement Options to be offered to the Directors (and/or their nominee(s)) as detailed in that Section.

4.9 Directors' Remuneration

The Constitution provides that the Directors may be paid for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Shareholders in general meetings, to be divided among the Directors as the Directors shall determine, and in default of agreement then in equal shares. This does not apply to the remuneration of the Managing Director.

A Director may also be paid fees or other amounts as the Directors determine where a Director performs additional or special duties. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship.

Directors received the following remuneration for the preceding two financial years:

Director		Salary and director's fees	Superannuation	Leave entitlements	Total
Mr John Welborn	2021	\$109,589	\$10,411	Nil	\$120,000
	2022	\$109,589	\$10,959	Nil	\$120,548
Mr Todd Alder ⁽¹⁾	2021	\$366,958	\$21,694	\$12,382	\$401,034
	2022	\$366,432	\$23,568	\$27,727	\$417,727
Mr Kyle Abbott	2021	\$60,000	Nil	Nil	\$60,000
	2022	\$60,000	Nil	Nil	\$60,000
Mr Steve Gallagher	2021	\$60,000	Nil	Nil	\$60,000
	2022	\$60,000	Nil	Nil	\$60,000

Note:

(1) Mr Alder also received benefits pursuant to the Company's Employee Incentive Plan (pursuant to his Performance Rights holdings).

Directors' remuneration for the 2023 financial year is, as at the date of this Prospectus, unchanged from the 2022 financial year (but the Company reserves the right to modify remuneration).

4.10 Substantial Holders

As at the date of this Prospectus and based on the knowledge of the Directors, those persons which together with their associates have a Relevant Interest in 5% or more of the Shares on issue are set out below:

Substantial holder	Number of Shares	Voting Power
UIL Limited and its associates	27,565,888	26.38%
First Sentier Group	13,974,986	13.37%

Refer to Sections 1.1 and 2.1 for further information of indicative potential impacts if the Placement Shares under the Tranche 2 Placement and the Placement Options are issued (and if the Placement Options to be offered to First Sentier Group and UIL Limited (and/or their respective nominee(s)) are exercised into Shares).

4.11 Related party transactions

Other than the issue of 600,000 Placement Options being offered under the Placement Options Offer in total to the Directors (and/or their respective nominee(s)), as detailed in Section 1.1, there will be no participation of related parties of the Company in the Offers.

As detailed in Section 1.1, the issue of 1,200,000 Placement Shares and 600,000 Placement Options to the Directors (and/or their nominee(s)) was approved at the General Meeting. Those Placement Shares are anticipated to be issued to Messrs Welborn, Alder, Abbott and Gallagher (and/or their nominee(s)) on or around 1 February 2023.

4.12 Interests of Other Persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the Offers, the formation or promotion of the Company, the Options offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (b) has been paid or given or will be paid or given any amount or benefit for services rendered in connection with the formation or promotion of the Company or the Offers.

4.13 Lead Manager Mandate

On 13 November 2022, the Company entered into the Lead Manager Mandate with Evolution Capital, in connection with the Placement, for the provision of lead manager services by Evolution Capital to the Company.

Under the Lead Manager Mandate, the Company agreed to pay the following fees to Evolution Capital (plus GST, where applicable):

- (a) 5,000,000 Lead Manager Options conditional upon Shareholder approval, which approval was obtained at the General Meeting;²
- (b) a 6% cash fee on the gross amount raised from the issue of Placement Shares (excluding the Placement Shares issued to UIL Limited and the Directors), which fee comprises approximately \$195,714.48 (plus GST); and
- (c) a 2% fee on the gross amount raised (if any) by the exercise of the Placement Options during the 12 months following the issue of the Placement Options.

The Company also agreed to reimburse costs of Evolution Capital (being approximately \$25,000 as at the date of this Prospectus) and has granted Evolution Capital the opportunity to act as lead manager (and to choose other brokers involved) in relation to any future capital raisings of the Company within the next 12 months.

The Lead Manager Mandate contains additional provisions, including warranties and indemnities granted by the Company in favour of Evolution Capital, which are considered standard for agreements of this nature.

No further fees are payable to Evolution Capital in respect of the Offers.

4.14 ASIC Instruments

The Offers are made pursuant to ASIC Corporations (Exposure Period) Instrument 2016/74 which exempts the Company from complying with section 727(3) of the Corporations Act to the extent that that section prohibits the Company from issuing Securities in the seven-day period after the date of lodgement of a prospectus with ASIC.

4.15 Expenses of Offers

The estimated expenses of the Offers are \$3,206 (ASIC lodgement fee) and approximately \$25,000 (legal fees), \$21,508 (ASX fees), \$31,908 (registry and administrative expenses) and \$25,000 (Lead Manager) reimbursements (in each case, plus GST).

4.16 CHES

The Company participates in the Clearing House Electronic Subregister System, known as CHES. ASX Settlement, a wholly owned subsidiary of ASX, operates CHES in accordance with the Listing Rules and the ASX Settlement Operating Rules.

If ASX grants Official Quotation of the Options, the Company will not issue certificates to Option holders. Rather, holding statements (similar to bank statements) will be dispatched to Option holders

² In the event that the issue of the Lead Manager Options were not approved by Shareholders at the General Meeting, pursuant to the Lead Manager Mandate the Company would have been obliged to compensate Evolution Capital by paying to Evolution Capital the monetary equivalent of the Lead Manager Options based on a Black Scholes Model (calculated using the assumptions of: (i) 80% volatility; (ii) risk free rate of 2.00%; (iii) no dividends; (iv) issue date equal to the date of issue of the Shares under the Placement; and (v) exercise at any time for three years (American Style). However, that cash amount will not be payable by the Company because Shareholder approval for the issue of the Lead Manager Options was obtained at the General Meeting.

as soon as practicable after issue. Holding statements will be sent either by CHESS (for Option holders who elect to hold Options on the CHESS sub-register) or by the Company's share registry (for Option holders who elect to hold their Options on the issuer sponsored sub-register). The statements will set out the number of Options issued under this Prospectus and the Holder Identification Number (for Option holders who elect to hold Options on the CHESS sub register) or Shareholder Reference Number (for Option holders who elect to hold their Options on the issuer sponsored sub-register). Updated holding statements will also be sent to each Option holder following the month in which the balance of their Option holding changes, and also as required by the Listing Rules and the Corporations Act.

Alternatively, if ASX does not grant Official Quotation of the Options, the Company will instead issue certificates to the Option holders.

4.17 **Consents**

Each of the Directors have given their written consent to being named in this Prospectus in the form and context in which they are named and to the inclusion in this Prospectus of all information and statements relating to, made by, or said to be based on statements by, them, in each case in the form and context as they appear in this Prospectus.

Evolution Capital has given its written consent to being named as lead manager to the Placement in the form and context in which it is named in this Prospectus and to the inclusion in this Prospectus of all information and statements relating to, made by, or said to be based on statements by, Evolution Capital, in each case in the form and context as they appear in this Prospectus. Evolution Capital:

- (a) has not withdrawn its consent as at the date of lodgement of this Prospectus with ASIC;
- (b) makes no representation regarding, and to the maximum extent permitted by law, expressly disclaims and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with Evolution Capital's consent as specified in this Section; and
- (c) has not authorised or caused the issue of this Prospectus or the making of the Offers.

5 Directors' Statement and Consent

This Prospectus is authorised by the Company and lodged with ASIC pursuant to section 718 of the Corporations Act. Each of the Directors has consented to the lodgement of this Prospectus with ASIC, in accordance with section 720 of the Corporations Act and has not withdrawn that consent. This Prospectus is signed for and on behalf of the Company by:



Todd Alder
Managing Director and CEO
Dated: 18 January 2023

6 Glossary

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

\$ or A\$ means Australian dollars.

Annual Report means the Company's annual report lodged with ASIC and the ASX in respect to the financial year ended 30 June 2022.

Applicant means a person who submits an Application Form.

Application means a valid application for Placement Options or Lead Manager Options (as applicable) under the Offers, made on an Application Form.

Application Form means an Application Form provided by the Company with a copy of this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Limited ACN 008 504 532.

AWST means Western Standard Time, being the time in Perth, Western Australia.

CHES means ASX Clearing House Electronic Subregister System.

Closing Date means the date when the Offers close.

Company means Orbital Corporation Limited ACN 009 344 058.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Prospectus.

Evolution Capital has the meaning given in Section 1.1.

First Sentier Group means First Sentier Investors Holdings Pty Limited (ACN 630 725 558) and its related bodies corporate and Mitsubishi UFJ Financial Group, Inc.

General Meeting means the extraordinary general meeting of Shareholders held on 13 January 2023.

Group means the Company and its related bodies corporate.

Lead Manager Mandate means the mandate between the Company and Evolution Capital dated 13 November 2022.

Lead Manager Options has the meaning given in Section 1.3.

Lead Manager Options Offer has the meaning given in Section 1.3.

Listing Rules means the official listing rules of ASX.

Offers means the Placement Options Offer and the Lead Manager Options Offer.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Opening Date means the date when the Offers open.

Option means an option to acquire a Share, subject to the terms and conditions in section 4.1.

Placement has the meaning given in Section 1.1.

Placement Options has the meaning given in Section 1.1.

Placement Options Offer has the meaning given in Section 1.2.

Placement Shares has the meaning given in Section 1.1.

Prospectus means this prospectus dated 18 January 2023.

Relevant Interest has the meaning given in section 9 of the Corporations Act.

Section means a section of this Prospectus.

Securities mean any securities (including Options) issued or granted by the Company.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of one or more Shares.

TMD means Target Market Determination.

Tranche 1 Placement has the meaning given in Section 1.1.

Tranche 1 Placement Options has the meaning given in Section 1.1.

Tranche 2 Placement has the meaning given in Section 1.1.

Tranche 2 Placement Options has the meaning given in Section 1.1.

UAV means unmanned aerial vehicle.

Voting Power has the meaning given in section 9 of the Corporations Act.



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UAV