



ASX ANNOUNCEMENT

15 October 2018

COMPANY UPDATE

Orbital UAV's revolutionary Modular Propulsion Solution to drive long term sustainable value.

- Modular Propulsion Solution (MPS) offers flexibility and rapid deployment.
- Expanded Long Term Agreement with key customer Insitu Inc. covers five propulsion systems with potential value of A\$120 - A\$350 million over five years.
- Revenue guidance for FY19 of A\$24 million marks launchpad for sustainable revenue growth, as the Company targets production of five engines across 2019.

PERTH, AUSTRALIA: Orbital Corporation Ltd ('Orbital UAV', 'the Company') is pleased to provide the following update, featuring the Company's strategic outlook and revenue guidance for FY19.

As Orbital UAV continued to drive sustainable cost reductions and set a clear path with its tactical unmanned aerial vehicle (UAV) strategy in FY18, the Company has, in parallel, been identifying opportunities to broaden its product suite in the near term.

Modular Propulsion Solution

Investment in this product development has been targeted at the release of a Modular Propulsion Solution or MPS.

The MPS addresses a growing need within the tactical UAV market for aircraft to have the flexibility and versatility to adapt to varying end customer requirements and for the rapid deployment of those aircraft.

Orbital UAV's revolutionary response to this challenge will provide tactical UAV manufacturers with a modular range of propulsion systems, capable of being integrated across multiple UAV platforms with varying payloads and capability.

This comprehensive offering represents a key milestone in the Company's strategy to deliver long term sustainable growth.

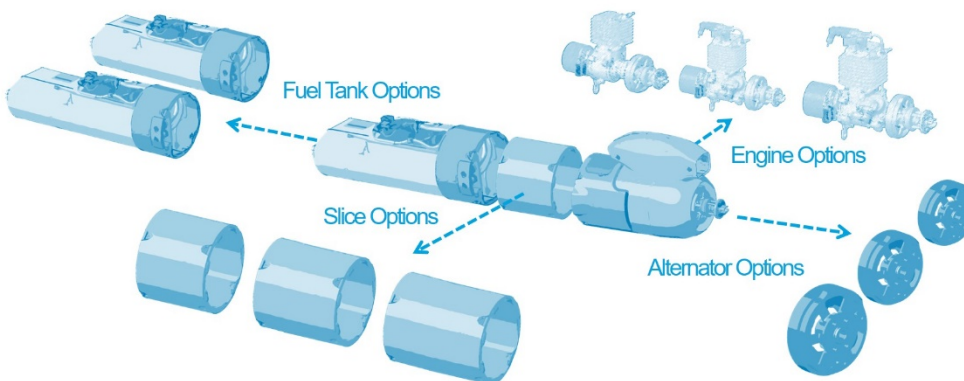
Using design thinking, patented technology and a global supply line built up over three decades, the MPS approach will provide customers with:

- Modularised propulsion systems applicable to multiple airframe platforms;
- Rapid volume flexibility across the entire Solution;
- Reduced product lead times; and
- Unsurpassed quality built on three decades of global supplier relationships and unique modular system design.

"The tactical UAV market is growing at pace, with ever more aircraft being developed and deployed," said Todd Alder, CEO and Managing Director of Orbital UAV.

"In order to harness the potential of this growth, Orbital UAV is developing the Modular Propulsion Solution to provide customers with increased choice and flexibility, providing them with the agility to adapt to changing end customer demands."

The Modular Propulsion Solution (MPS)*



The MPS offers customer flexibility and rapid system deployment. Inventory and supply chain advantages return significant cost and quality benefits.

**Stylised for confidentiality reasons*

Insitu Long Term Agreement

Under the terms of the recently signed expanded Long Term Agreement (LTA) with Insitu Inc. (Insitu) (see ASX announcement 15 October 2018), Orbital UAV will deliver multiple propulsion systems and services that will be applied across Insitu's entire range of unmanned aircraft system (UAS) platforms.

The LTA covers a period of five years and will run until 30 September 2023.

For Insitu, a wholly owned subsidiary of The Boeing Company, the MPS provided by Orbital UAV will comprise of three highly configurable propulsion systems, capable of dramatically enhanced platform integration.

"As they continue to develop their agile and versatile UAS family, Insitu have identified the need for a more integrated approach to their propulsion system requirements.

"Orbital UAV is uniquely placed to meet this requirement and is delighted to be working alongside Insitu to meet their objectives," said Mr Alder.

The expanded LTA also confirmed Orbital UAV as one of the suppliers of two (2) Insitu in-house designed engines.

The two Insitu in-house designed engines – for use in its Integrator™ and ScanEagle® aircrafts – will be assembled, tested and shipped to Insitu from Orbital UAV's purpose built U.S. facility in Hood River, Oregon.

The expanded LTA is further testament to the growth of the tactical UAV market and Orbital UAV's ability to keep pace with that growing demand.

Revenue Guidance

Revenue guidance for FY19 is A\$24 million. This guidance takes into consideration the MPS investment in H1 which will ultimately provide the foundation to maintain substantial revenue growth beyond FY19.

Throughout 2019, Orbital UAV will invest in the production of five engines.

"With our U.S. production facility now operational, the expanded LTA with Insitu, and the development of our Modular Propulsion Solution, the coming year, and beyond, promises to be an exciting period for Orbital UAV," said Mr Alder.

"When I took over the role of CEO a little over a year ago, I was clear about the motivation of the executive and the Board. Our aim is to govern and lead a growth business that is disciplined, lean and value accretive and I believe our current focus will help deliver on this objective and build on our recent achievements."

-ENDS-

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About Orbital UAV

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

Forward-looking statements

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

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