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ASX RELEASE

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Early Redemption of Convertible Notes

- Orbital to redeem the \$8.9 million of outstanding Convertible Notes
- Early redemption expected to result in note holder election to convert to equity
- Resulting expanded capital base and strong simplified balance sheet with large cash balance and no debt will allow Orbital to aggressively pursue growth opportunities
- Board will assess future funding needs following completion of the early redemption

Orbital to strengthen Balance Sheet with Convertible Note Redemption

Orbital Corporation Limited (ASX: OEC) (“Orbital” or “the Company”) is pleased to announce the Company will proceed with the early redemption of all remaining outstanding Convertible Notes.

The recent sale of Orbital’s 30% joint venture interest in Synerject for \$25.0 million in cash is a transformative transaction which has allowed the Board to reassess the Company’s funding needs for existing and new business opportunities. As at 31 December 2015, following settlement of the Synerject transaction, the Company had a cash balance of \$28.5 million.

The outstanding Convertible Notes have a face value of \$8.9 million. The timeline of the proposed early redemption allows Note holders the option of converting any outstanding Notes into Orbital Shares. The Board is confident in strong take up from Note holders for conversion to equity. As a result the early redemption is expected to result in an expansion of the Company’s capital base while maintaining a strong cash balance.

Background to the Convertible Notes

In January, 2015 shareholders approved the issue of 200 Convertible Notes with a face value of \$50,000 each to raise \$10,000,000. The proceeds of the Convertible Note Issue were primarily used for Orbital’s acquisition of a controlling interest in REMSAFE Pty Ltd.

The terms and conditions of the Convertible Notes allow holders to elect to convert Notes into Orbital Shares at any time prior to maturity at a Conversion price of \$0.40. To date, 22 of the original Convertible Notes have been converted into Ordinary Shares. As at the date of this announcement, there are 178 Notes outstanding with a total face value of \$8,900,000.

The Notes have a maturity date of 3 February 2017 with the terms and conditions also allowing for early redemption at the option of the Company subject to payment of an Early Redemption Interest Fee.

Terms of Early Redemption

The Terms of the early redemption are as follows:

- Note holders have until 29 February, 2016 to elect to have their Convertible Notes converted into Ordinary Shares;
- Note holders who do not convert their Convertible Notes to Ordinary Shares will receive the face value of the outstanding Convertible Note, accrued interest up to 29 February, 2016 and an Early Redemption Interest fee of \$3,000 per Convertible Note;
- The total amount payable if all 178 outstanding Convertible Notes are redeemed for cash rather than converted to Ordinary Shares would be \$9,582,332.74;
- The total number of Ordinary Shares to be issued if all outstanding Convertible Notes are converted into Ordinary Shares would be 22,250,000 shares.

Strong Balance Sheet to support future growth opportunities

The cash proceeds from the sale of Synerject have provided Orbital with the opportunity to proceed with the early redemption of the Company's existing Convertible Notes. The expected result is an expansion of the Company's capital base and a strong balance sheet underpinned by a large cash balance and no outstanding debt.

Following finalisation of the early redemption of the Convertible Notes the Board will assess the future funding needs of the business and expects to be in a strong position to aggressively pursue exciting growth opportunities designed to build shareholder value.

Balance Sheet strength will allow the Company to leverage emerging opportunities within the Company's UAVE and REMSAFE businesses as well as support Orbital's focus on building and investing in new high growth businesses.

General meeting to be called

Bermuda Commercial Bank Limited (**BCB**) was issued 120 Convertible Notes as part of the Convertible Note Placement. The Corporations Act considers BCB to be an Associate of the Company's largest shareholder, UIL Limited.

Under the Convertible Note Terms and Conditions, the Company cannot complete a conversion of a Convertible Note if the issue of Shares would result in a breach of the Corporations Act. The combination of UIL Limited's current shareholding and the conversion of all the BCB Convertible Notes will, without Shareholder approval under item 7, section 611 Corporations Act, breach section 606 Corporations Act.

If BCB converts all of its Convertible Notes, UIL will increase its voting power to between 27.64% and 30.89%, depending on the number of other Convertible Notes converted into Ordinary Shares.

The Company will call a General Meeting of Shareholders to consider a resolution approving the conversion of BCB's Convertible Notes and thereby the increase in UIL Limited's voting power to above 20%. The Notice of Meeting will be accompanied by an explanatory memorandum and also an Independent Expert's Report to explain the resolution.

Indicative Timetable

An indicative timetable for the redemption of the Convertible Notes is set out below. The Company notes that the timetable may be subject to change.

Event	Date
Announcement of Early Redemption	18 January 2016
Despatch Notice of Meeting	22 January 2016
Shareholder Meeting to Approve Conversion	26 February 2016
Last date for Conversion of Notes	29 February 2016
Cash settlement of any outstanding Convertible Notes	29 February 2016

-ENDS-

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About Orbital

ORBITAL is an innovative industrial technology company.

ORBITAL invents and builds smart technology that delivers improved performance outcomes for our clients in the aerospace, mining & industrial and consumer sectors.

ORBITAL operates on a global scale and is headquartered in Perth, Western Australia. From a world class facility, ORBITAL's innovation magic takes shape – from research and design to development, manufacturing and implementation.

Delivering state-of-the-art products and services within the industrial technology sector is what we do.

ORBITAL's technology leadership is exemplified by the patented REMSAFE remote isolation system for global mining and industrial applications and Orbital's® UAVE business that produces and supplies engine and propulsion systems for unmanned aerial vehicles.

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. Orbital 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.