

ASX Announcement

29 December 2021

Business Update - Significant progress made in relation to all three previously reported poor performing projects

- **Project 1.** Further variations have been approved on one project with current and future work at historical gross margins
- **Project 2.** Commercial settlement via execution of a binding deed of settlement in relation to previously reported delay claims
- **Project 3.** Now in close-out phase with our Team shifting focus to higher margin generating projects

Verbrec Limited (ASX:VBC) (Verbrec or the Company), a leading mid-tier engineering, training and infrastructure services provider is pleased to provide an update on previously announced 'poor performing legacy projects'¹.

Project 1. Verbrec is pleased to announce that this project, being the design of a Liquefied Natural Gas (LNG) import terminal, is no longer considered a poor performing project. Project work continues under recently approved variations with all current and future work being undertaken at historical gross margins earned across the Verbrec group of companies.

Project 2. The delay claims on the SCADA Upgrade project have been settled for \$2.09M via execution of a binding deed of settlement that becomes effective once the acceleration plan has been agreed (see below). The \$2.09M will be paid in three tranches with an upfront payment of \$0.7M and two future dated payments totaling \$1.4M, subject to Verbrec achieving certain project delivery milestones. In addition, the performance bonds held on this project will reduce by \$0.5M providing, additional headroom under our existing banking facilities in order to provide similar performance bonds on other projects that are currently in negotiation or at tender stage.

As part of the settlement, Verbrec has agreed to accelerate completion of this project on the proviso the cost of additional resources, up to \$1.2M, are recovered from the client. Acceleration will result in this project being completed much earlier than otherwise planned, providing opportunities for our Team members to move across to higher margin generating projects earlier than previously expected.

Project 3. With the third poor performing legacy project in close-out phase our Team is shifting focus to much higher margin generating projects from our record work-in-hand.

Linton Burns, Verbrec's Managing Director commented: "The Company closes out calendar year 2021 in a much better position than previously reported. We have a clear pathway to finalisation of these three troublesome legacy projects, and with a record backlog of new higher margin projects, we expect to report a rebound in financial performance in the second

¹ Refer to the FY21 results announcements made on 27 August 2021 – being the FY21 Results Announcement (under "Operational overview" heading), FY21 Results Investor Presentation (slide 10 entitled "FY21 Margin Analysis") and pages 7 to of the FY21 Annual Report. Further reference to these projects was also made in the Chairman & Managing Directors address to the Annual General Meeting held on 26 November 2021 (as released to the market).

half of FY22. In the absence of any major COVID-19 disruptions, calendar 2022 shows a lot of promise."

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Authorised for release by the Board of Directors of Verbrec Limited.

Further Information

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About Verbrec Ltd

Verbrec is a leading mid-tier engineering and project services company that supports customers across Australia, New Zealand, PNG and beyond. The Verbrec group of companies serve the energy, infrastructure, and mining industries through their six service lines; asset management, competency training, digital industry, pipelines, power, and process plant, with capabilities that span across the entire life cycle of an asset. Verbrec is an Australian Securities Exchange listed company (ASX:VBC).