

29 November 2023

CEO's Address to Shareholders at Verbrec's 2023 Annual General Meeting

Verbrec Limited (ASX : VBC) (**Verbrec** or the **Company**) is pleased to issue the following address delivered by Verbrec's Chief Executive Officer, Mark Read at the Company's 2023 Annual General Meeting.

Verbrec Limited – CEO's Address – 2023 AGM

I would like to start by acknowledging the traditional owners of the land on which we are meeting today, and pay my respects to Elders past, present and emerging.

It gives me great pleasure to be standing in front of you today as the CEO of Verbrec and I would like to thank Phil Campbell and the Board for offering me this exciting opportunity.

The first thing that struck me upon joining in March this year was that Verbrec is a fundamentally strong company that had experienced some tough times. The challenge was to put aside the problems of the past and build on Verbrec's strengths going forward.

A "line in the sand" if you like.

Who is Verbrec?

So today marks another important day in Verbrec's history as we continue our road to recovery.

In this presentation, I propose to provide you with details on how the Verbrec business is structured, a snapshot of our organisation, some brief commentary on FY2023 and importantly, how 2024 has started including an outline of some of the actions that we have taken which we believe sets the business up for success in the future.

By way of a reminder, Verbrec is a leading Engineering, Asset Management, Infrastructure, Training and mining technology services provider, operating across the entire asset life cycle. Our experienced team is recognised for its responsiveness and agility. We operate across multiple regions, including Australia, New Zealand, PNG, and the Pacific Islands, executing projects for organisations of all sizes.

Services and Geographic Footprint

Importantly, we are working with some of the region's most significant organisations helping them on their net zero transition journeys. Enabling a sustainable future for Verbrec, our clients and their customers.

The wheel to the left showing the various market sectors and services which we provide is there to demonstrate how Verbrec plays such an important role across the entire life cycle of our various client's operations – from engineering services, through

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Asset Management, Infrastructure Services and Training. Everything we do is based on our core engineering competencies and the application of them to add value. Our business model has the added benefit that because we are involved in the entire lifecycle, any future designs we undertake, benefits from this whole of life presence in past projects.

Corporate Snapshot

This next slide highlights the Capital Structure of the Verbrec business, along with our Top 5 shareholders at the time of this presentation.

In a show of confidence in my management team, I am delighted to report that our ownership has been stable for some time. We expect that with the recently announced capital raising that there will be some new shareholders join this grouping, which is also extremely encouraging. A strong endorsement of progress so far.

Key Messages and Actions

It is no secret that FY2023 was difficult with extensive management time being devoted to the resolution of legacy projects, some disappointing write downs, an underperforming training business and some challenging market conditions to contend with.

I presented those results to shareholders after we posted our full year financials. The annual report and that presentation is available on our website should you want to review that.

My preference is to discuss the corrective actions that the Board and the Management team has taken since my appointment, the indicative results we are seeing in Q1 2024 and the path the Company is on.

Core Principles – Business Improvement

So, what have we done to set the business on a more profitable course?

There are three key areas we sought to tackle:

- The first has been to simplify the business and protect the core. This meant growing revenue from existing core competencies and improving delivery methods. In short, 'sticking to our knitting and focusing on our product and our clients'.
- Secondly, we have reinvigorated our approach to client management, reintroducing a Key Account Management program and leveraging our strong relationships to build a pipeline of better project opportunities. We are also using our Intellectual Property in a more client-focused way, to enhance those relationships.
- And thirdly, we are putting in place measures to avoid the mistakes of the past, avoiding risky contracts and focusing our efforts in areas of client need, like decarbonisation – which is a Verbrec strength.

Actions Undertaken

We have also taken actions since putting a line in the sand, namely:

- The sale of the non-profitable parts of our training business, which completed earlier this month.
- Winding down certain construction activities reducing our exposure and risk, essentially learning from history and trying not to allow another poor performing legacy project to impact the business.
- Reducing corporate overheads to the tune of \$1.8 million and finalising the legacy and one-off issues.
- We continue to pursue the recovery of outstanding fees related to the final legacy project.

The total EBITDA impact of this work is \$4.8 million saving, to date.

The improvement process is ongoing, of course, but the actions to date provide us some firmer footing to focus on more profitable areas of the business.

Over the past six months we have reviewed our StacksOn mining technology business and recognise that it has the potential to grow.

We have strengthened our client relationship program, appointed key account managers and made our General Managers more accountable as part of a drive for improved operational efficiencies.

More work is still to be done in areas like enhanced project management systems, gross margin improvements, training in work winning and greater focus on existing high performing businesses.

Q1 FY2024 Results

The actions taken by the Board and the executive management team over the past 6 months are starting to show in our management accounts.

You can see on this slide, that we are starting to move in a more positive direction, particularly when compared to FY2023.

Our engineering business at the end of the first quarter posted a 7.3% EBITDA margin.

Our training business, stripped of the unprofitable parts that we completed divesting earlier this month, posting a 12.6% EBITDA margin.

Strategic Initiatives and Growth Strategy

We're on a journey. I only joined this business some eight months ago, but strongly believe that with these plans in place, we have the potential to move from a mid-tier engineering services provider to a leading energy transition partner.

A partner that is focused on "Enabling a sustainable future for Verbrec, our Clients and their Customers".

I can say this because we have the foundations in place to take advantage of a once in a generation change to the market landscape.

There are many projects mentioned in this slide, but I did want to spend a little time talking about one of them.

Our Engineering services team in New Zealand was awarded the Broadlands Biogas Upgrade Detailed Design, for Gas Services NZ, part of the First Gas Group.

Verbrec was awarded the detailed design engineering contract for the balance of plant which includes safely injecting the biogas into the gas transmission system.

Verbrec is proud of the role we are playing in New Zealand's push to reduce carbon emissions by supporting First Gas' renewable initiatives.

The Changing Sustainable Landscape

Organisations such as Australia's Energy Market Operator have spoken about the transition underway as organisations move to embrace electrification. This is good news for Verbrec because we are leaders in the transition to renewables.

The Federal Government's own Department responsible for Resources produced a discussion paper earlier this year highlighting that the gas market will not die, rather, it will transition to provide peaking fuel, rather than base load power. This is good news for Verbrec, as this is an area of strength for our team.

And the Eureka Report on BHP's Iron Ore quality challenge reinforced the critical need for our mining industry clients to take a more sustainable approach to their operations and seek our higher grade commodities. Again, this is an area which Verbrec is well placed to provide advisory, support and ultimately solutions to our customers.

National Electricity Market

This next slide, whilst difficult to read, sets out the Australian Government's 30 year roadmap for essential and efficient investment in the National Electricity Market.

They predict that storage capacity will need to increase by a factor of 30 and that there will be a significant increase in grid-scale wind and solar, along with distributed solar.

And then there is the need to double the scale of the Transmission and Distribution network by 2050.

Again....these are all areas of speciality for Verbrec.

In short....we are in the right market at the right time!

Gas Market Transition

This slide is one of my favourites. It demonstrates that whilst the consumption of gas is predicted to remain fairly static over the next 20 years or so, the use of gas will change dramatically, from a base load fuel for power generation to a peak fuel, a fuel of last resort if you will as the level of renewables grow. A fuel that will manage the peaks particularly during the winter months.

Each of our four service areas – Engineering; Asset Management; Infrastructure Services and Training – have the capability to be a key contributor to this energy market transition.

Engineering

In Engineering, our growth strategy revolves around positioning for projects that address the gas market transition, electrification and move to more greener commodities. The need for dramatic changes to the gas system and how it operates, the need for dramatic changes the electricity grid and forms of generation.

Asset Management

In Asset Management, our focus will be on leveraging existing client relationships to improve our share of the market. We see opportunities emerging in capital planning and maintenance improvement, along with Master Data online implementation. We are well placed to help our clients unlock higher value from their assets.

Infrastructure Services

Our Infrastructure Services team is focused on picking up additional long term Operation and Maintenance contracts and winning some of the lucrative bi-directional gas pipeline projects expected to come to the market to meet this forecast demand.

Competency Training

Our Competency Training team will look to expand into new geographies such as New Zealand and Victoria, while targeting renewables service delivery opportunities.

A key growth initiative for our team here will be the expansion of the IECEx Accreditation Program, which will be an industry requirement moving forward, allowing us to gain an international training footprint.

We have now put in place a strategy to make this happen.

StacksOn

I'd now like to focus on the major opportunity in front of us now with our StacksOn stockpile yard modelling application.

For those of you who are unaware, it is a product that tracks metre by metre by metre cubes of, in most current cases, currently iron ore.

This tool can track a cubic metre of iron ore with all the attributes attached, enabling more efficient stockpile management and higher sales quality.

StacksOn is very accurate in predicting the profile of what's on the stockpile and then making sure it's very accurately taken off the stockpile.

So, it provides great visualization of the iron ore stockpile.

It also allows greater control of the specification of the product as it goes on to a ship, and that kind of control can provide significant improvements to the bottom lines of the big miners.

If you can improve the iron ore grade's specification by say 1% then the iron ore miners have many millions of additional tonnes of iron ore to sell.

Better grade control is important and is worth many hundreds of millions of dollars in savings to the major mining companies.

We're very proud of this product, and our team in the West that have developed it over many years can rightfully be very proud of their work on what is a leading edge product.

Importantly, it provides Verbrec with the opportunity to generate strong margins as well.

BHP Iron Ore currently has 26 machines in the Pilbara, and every single one of them is now using the StacksOn product.

Verbrec's annual license fees for StacksOn at BHP are expected to be approximately \$1 million in FY2024, and we have confirmed previously there is interest both locally and internationally in acquiring StacksOn.

Our focus right now though, is to grow the product and expand it's reach in the market.

We're now talking to the other iron ore producers and see a lot of opportunities.

There's about 1200 stackers and reclaimers operating across Australia if you include Coal, Copper, Bauxite, and other commodities.

There's potential to deploy StacksOn in agriculture too, not to mention opportunities to pursue sales of the software internationally.

There is strong support for the product.

BHP's Chief Technical Officer Laura Tyler spoke about StacksOn at the World Mining Congress earlier this year and said:

"It is materially adding value to our operations and we're rolling it out across other commodities."

It is endorsements like this that give me confidence that we can generate excellent returns for shareholder from this product.

Summary

In summary, while FY23 was disappointing, we have put a line in the sand, taken corrective action and our performance has already improved.

An initial review of operations since I came to Verbrec in March has delivered a material reduction in operating expenditures (c. \$1.8m annualised) and a divestment of non-profitable parts of our training business.

We are now ideally positioned to take advantage of growing markets alongside our current and future major clients.

We have an excellent strategy for the future, with an increasing focus on core capabilities and eliminating unprofitable and higher risk fixed price contracts which is already delivering improved gross margin.

And we're adapting and growing into the changing sustainable landscape, targeting material growth in key high performing business units, whilst supporting

growing interest in internal IP including mining services software through our impressive StacksOn product.

We look forward to the next 12 to 24 months with a great deal of optimism.

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

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About Verbrec Limited

Verbrec is a leading engineering, project, training and mining technology service provider that supports customers across Australia, New Zealand, PNG and beyond. The Company serves the energy, infrastructure, and mining industries through their technical specialties; asset management, automation and control, pipelines, power, process plant and training, with capabilities that span across the entire life cycle of an asset. Verbrec is an Australian Securities Exchange listed company (ASX:VBC).

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