

18 November 2022

Project Update

Verbrec Limited (ASX : VBC) (**Verbrec** or the **Company**) a leading mid-tier engineering, training and infrastructure services provider provides an update to its 23 June 2022 ASX announcement titled 'Legacy Project Update'.

The **LNG Import Terminal Design** and **Water SCADA Upgrade** legacy projects are complete.

The remaining legacy project, the **Utilities SCADA Upgrade Project**, involves upgrading and modernising the monitoring of drinking water, recycled water, and sewerage services across S.E. Queensland.

This upgrade is combining the outdated monitoring and computer systems of five local authorities to provide a single robust platform to monitor and control this essential network to reduce costs and improve network resiliency. Verbrec is contracted to deliver a subset of the works to the lead contractor, not to the asset owner directly.

The project was expected to be completed by the end of this calendar year, however, after a series of ongoing issues and challenges, Verbrec has today issued a notice of its intent to terminate the contract for unresolved material breaches ².

The material breaches alleged by Verbrec in the notice include:

- Failure to assess and value completed works and variations in accordance with the contract, and withholding amounts due and payable to Verbrec the subject of valid payment claims;
- Failure to provide direction after instructing material changes to the execution of the works by taking sequential possession of 19 tranches (over a one year period) rather than taking possession in 1 tranche upon completion as required by the contract. This change will have the effect of materially increasing the quantum and duration of services required to complete the project;
- Failure to provide direction when notified of material discrepancies between existing legacy SCADA systems and the legacy SCADA systems represented in the contract;
- Failure to provide key inputs (including client requirements about how the works must be constructed) in the form and at the time required by the contract and the subsequent settlement deed entered into with the client in relation to the contract, thus preventing the works from being progressed expeditiously; and
- Failure to provide a project schedule in accordance with the contract and failure to extend the dates for completion in line with the fundamental changes to the nature and sequence of the works.

Under the terms of the contract the client has 10 days to remedy the material breaches before Verbrec is entitled to terminate the contract.

Verbrec has attempted to work with the client to resolve these issues prior to issuing this notice.

Managing Director at Verbrec, Linton Burns said "it is unfortunate that having come so far with this critical infrastructure project that we have been forced in to taking this course of action."

Verbrec Limited

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“Having achieved so much, including going live with the new single SCADA system and migrating 25 percent of the sites on to this new system it is unfortunate that these delays have prevented us from completing this important project for the ratepayers of S.E. Queensland.”

“If these breaches can be resolved the substantial work we have done to date would position us to quickly and efficiently complete this project for the benefit of rate payers,” he said.

A further update will be provided when we are in a position to confirm whether or not these breaches have been remedied.

1 Previous ASX announcements which contain information related to legacy projects include:

- 'FY2022 Annual Report' published on 30 August 2022
- 'FY2022 Results Announcement' published on 30 August 2022
- 'Two of three legacy projects completed by 30 June 2022' published on 23 June 2022
- 'Verbrec H1 FY22 Interim Results Announcement' published on 28 February 2022
- 'Significant progress made with poor performing projects' published on 29 December 2021
- 'Chairman & MD AGM Address to Shareholders' published on 26 November 2021
- 'FY21 Annual Report' published on 27 August 2021
- 'FY21 Results Announcement' published on 27 August 2021
- 'Market Update' published on 28 June 2021
- 'Verbrec Investor Presentation' published on 23 April 2021

2 Material breaches means unresolved contractual breaches assessed by Verbrec to be material and communicated to the client in the notice..

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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 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).

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