verbrec

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Through strong relationships built on trust, we transform assets and people.

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Capital **Raising Overview**

Offer Size and Structure	• Institutional placement to raise approximately $2.0 million ("Placement") • Entitlement Offer to existing shareholders in the ratio of 1 new share for every 6.5 shares to raise up to approximately $2.0 million ("Entitlement Offer"). • The Entitlement Offer will include an uncapped top-up facility where existing shareholders can subscribe for shares in excess of their entitlement. • Verbrec intends to conduct a shortfall bookbuild following the Entitlement Offer. The Board's allocation policy for the shortfall bookbuild will take into consideration a number of factors, including the recommendations of the Lead Manager. • The Directors reserve the right to place shortfall following the Entitlement Offer during the three-month period after the closing of the Entitlement Offer.
Offer Pricing	• Offer price for the Placement and Entitlement Offer of $0.06 per share.
Director participation	• VBC directors have committed $265,000 to the capital raising (comprising approximately $185,000 for the entitlement offer and approximately $80,000 for the placement). Director participation in the placement will be subject to shareholder approval.
Use of Funds	• To fund growth and working capital and reduce net debt. • Refer to slide 26 for further information on sources and uses.

Key Investment **Rationale**

- Led by Mark Read an experienced Engineering Company CEO with a track record of building successful mid tier engineering firms (SKM, Sedgman)
- Initial review of operations post March 2023 CEO appointment has delivered a material reduction in operating expenditures (c. $1.8m annualised) and divestment of non core training assets (c. $2.0m annualised)
- An increasing focus on core capabilities and eliminating unprofitable and higher risk fixed price contracts (c. $1m annualised savings) has delivered improved gross margin (+ 4.4% vs FY23) throughout 1Q FY24
- Verbrec adapting and growing to the changing sustainable landscape and targeting material growth in key high performing business units – AM, IS, CT whilst supporting growing interest in internal IP including mining services software (StacksOn)
- Restoration of dividends remains a fundamental objective, noting Australian tax losses total $38.5m carried forward franking credits of $5.7m (source: Financial Statements 30th June 2023)

Positioned to take advantage of growing markets alongside existing major clients

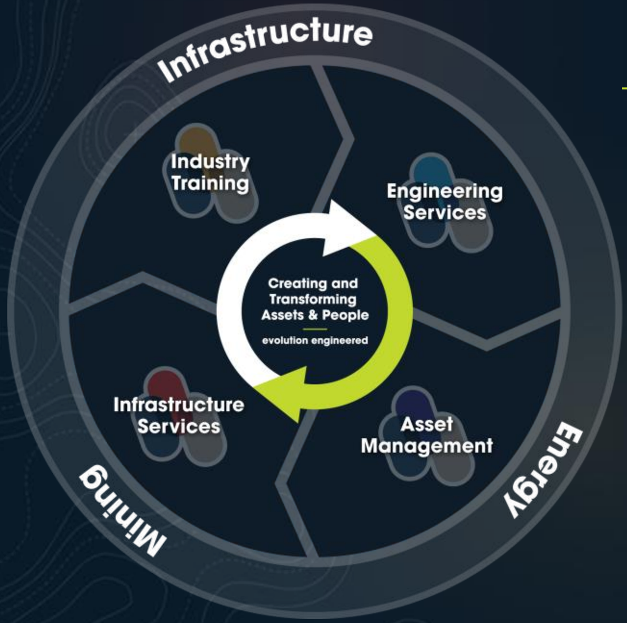
Who is **Verbrec**

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.

As the industry goes digital and moves closer to its net zero targets, we have built an ecosystem offering solutions around our core pillars. Our services are engineered to enable our clients to not only be prepared for the time ahead but also meet their near-term needs.

Enabling a
"sustainable future for Verbrec, our Clients and their Customers"

Services & Geographical **Footprint**



Engineering transformative solutions through **full project and asset lifecycle.**

Verbrec **at a glance**

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500+
TEAM MEMBERS

3
CORE MARKETS
ENERGY
MINING
INFRASTRUCTURE

30+
AREAS OF EXPERTISE

1
PURPOSE
Through strong relationships built on trust, we transform assets and people.

Transforming assets for a sustainable and smarter future"

Safety
Zero Harm, Always

	LTIFR	MTIFR	TRIFR
FY16	1.14	1.14	2.28
FY17	0	2.39	3.59
FY18	0	1.45	4.35
FY19	0	0	0
FY20	0	0	0
FY21	0	0	0
FY22	0	4.35	8.70
FY23	**0**	**1.20**	**6.02**

466
LEADERSHIP CONVERSATIONS

77
HAZARD REPORTS SUBMITTED

7
YEARS SINCE LAST LOST TIME INJURY

Board of **Directors & CEO**

Philip Campbell
Non-Executive Chairman

Phillip joined Verbrec in October 2019 and is an experienced independent non-executive director on publicly listed and private company boards. His executive experience includes MD and CEO roles in a range of manufacturing and engineering businesses, and he has significant experience in business turnarounds then growing businesses to restore value. Phillip has a Bachelor of Electrical and Electronics Engineering from the University of Queensland and is a graduate of the Australian Institute of Company Directors.

Brian O'Sullivan AM
Non-Executive Director

As the former founder and Chairman of OSD, Brian joined the Verbrec Board in June 2019, bringing with him over 30 years' experience in business management, project management and engineering, specialising in the design, construction and maintenance of major pipelines and petrochemical facilities across Australia, PNG and South East Asia. Brian's key strengths include a strong technical knowledge and an in-depth understanding of commercial business activities. Brian has been a company director holding board positions for a range of entities, including Chairman of the Australian Muscular Dystrophy Foundation.

Matthew Morgan
Non-Executive Director

Matthew is an experienced independent non-executive director on publicly listed and private company boards. Matthew began his career as an Institutional Venture Capital fund manager with QIC Limited and brings significant commercial experience including M&A and capital raising to the Verbrec Board. Matthew has a Bachelor of Commerce from Griffith University, a Bachelor of Applied Science and an MBA from Queensland University of Technology, and was Australia's first Kauffman Fellow.

Sarah Zeljko
Non-Executive Director

Sarah has extensive executive, operational, governance and advisory experience gained across multiple large ASX listed, government and private corporations. She is recognised for her commercial acumen in negotiating commercial agreements, and experience in capital raising, M&A, construction, infrastructure and project management. Sarah is a Graduate of the Australian Institute of Company Directors (GAICD), a Graduate of the Australian Superannuation Trustees (GAIST) and an admitted Legal Practitioner. Sarah currently holds positions on the Boards of Energy Queensland, Unitywater, Intellidesign and Stockyard Beef.

Mark Read
Chief Executive Officer

Mark has been appointed Chief Executive Officer of Verbrec effective on 13 March 2023. He is a results-focused senior executive business leader, CEO and Board director with a proven record of successfully establishing, transforming, acquiring and growing businesses to improve profitability, enable international expansion and achieve sustained growth. Over 30 years' experience across publicly listed and privately held global engineering service companies with roles ranging from global enterprise management, engineering, project management and in turnkey construction through to operations and maintenance in a wide range of industries including Mining, Power, Environment, Water, and Infrastructure.

Corporate **Snapshot**

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Capital Structure

ASX code	**VBC**
Market Cap (as at 31 October 2023)	$20.0m
Share price (as at 31 October 2023)	$0.09
Shares on issue	221.5m

Top 5 Shareholders

Brian O'Sullivan	31.3%
Thorney Investment Group	11.2%
Candyblossom/Bloemhof P/L	9.9%
GFNA Bartley Family	8.1%
Forager Funds Management	6.5%

Core Principles – **Business Improvement**

Simplify, Protect the Core

- Verbrec has market leading capabilities to draw upon
- Management have acted with intent to limit distractions and re-focus the team on Verbrec's core competencies
- Improve operational efficiencies and deliver consistent project delivery standards for our clients
- Grow revenues from existing core competencies

Client Focus

- Reintroduction of Key Account Managers to ensure that we 'know our client' and meet consistent standards of excellence in the delivery of our products and services
- Leveraging client relationships by understanding their business drivers, pipeline of work and long-term opportunities
- Using our IP and bringing ideas and solutions to our clients

Organic Growth & Risk Mitigation

- 12 Key Clients generates over 40% of our Revenue
- Improve our organic growth, with existing clients, underpinned by
  - 42 Master Services Agreements (up 7 since last financial year)
  - 11 O&M Agreements (up 2 since last period)
- Avoid the mistakes of the past by implementing robust systems to avoid high risk, lump sum contracts
- Growing number of decarbonisation projects

Actions undertaken in **last 6 months**

What actions has VBC taken	Impact to the business:	Status	Impact to EBITDA
Sale of non-profitable Training business	Closure on non-profitable sites and Agreement signed for the sale of remaining non-profitable training sites and assets	**Completed**	**$2.0M p.a.**
Review of Projects including High-Risk construction activities	Wound down the construction activities in the engineering business, reducing exposure and risk to downside	**Completed**	**Up to $1.0M**
Reduced Overheads	To date a total of $1.8M (FY24) has been reduced from overheads	**Completed**	**$1.8M p.a.**
Legacy & One Off Issues	Progressed Comdain discussions, Resolved outstanding Site Services agreement, Completed legacy projects	In progress	
Total EBITDA impact			**$4.8M**

Actions undertaken in **last 6 months**

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What actions has VBC taken	Impact to the business:	Status
Review of StacksOn mining technology business	Strategic review of the business and next steps to grow the asset	**Completed**
Strengthen Client relationship program	Key Account Manager positions established for key clients	**Completed**
Operational Efficiencies	Leadership Changes, Streamlined structure, GM accountability	**Completed**
Introduced improved project management systems and procedures	Focused on review of all current projects and greater focus on the future project teams and processes	In progress
Gross Margin Improvements	Review of underlying rates on MSA contracts with focus on profitable work	In progress
Increase work winning skills and effectiveness	Reintroduced work winning workshops and proposal gating process	In progress
Grow existing high performing businesses	Focus on Asset Management, Infrastructure Services and Competency Training businesses and targeting strong growth over 24 months	In progress

“*Enabling a* **sustainable future** for Verbrec, our Clients and their Customers”

From:
Mid-tier Engineering Services provider

Long Duration Battery Energy Storage Concept Studies

Energy Efficiency Study of Beach’s NZ Operations

New Seawater Desalination Plant Project In South Australia

Pre-feasibility Study Of Mid-West Shared Infrastructure

To:
Leading Energy Transition partner

The Changing **Sustainable landscape**

Electrification

- Need for Gas "firming" in renewables "rich" grid
- Transition to an electrically- driven economy with Biogas / Hydrogen support
- Continued growth in Renewables
- Strong growth in Batteries
- Growth in Transmission & Distribution
- Continued interconnection challenges

*Source: AEMO 2022 Integrated System Plan

Gas Market Transition

- Gas as a peaking fuel rather than a base load fuel
- Changing landscape for gas usage
- Role for Carbon Capture Utilisation and Storage "CCUS"
- Need for gas storage
- Differing Operating & Maintenance ("O&M") approaches
- Changes to operations of current Gas system
- Biofuel / Hydrogen replacement/augmentation

*Source: DISR Future Gas Strategy consultation paper

Green Commodities

- Minimisation of Scope 3 emissions
- Higher grade commodities (magnetite) for "green" metals
- Driven by our Clients' clients and Net Zero aspirations
- Greater grade control at mine and port
- Growing number of decarbonisation projects at mines
- Renewables with Gas support
- General sustainability focus including water sustainability
- Innovative product transportation

*Source: Eureka report – BHP Faces an Ore- Quality Challenge

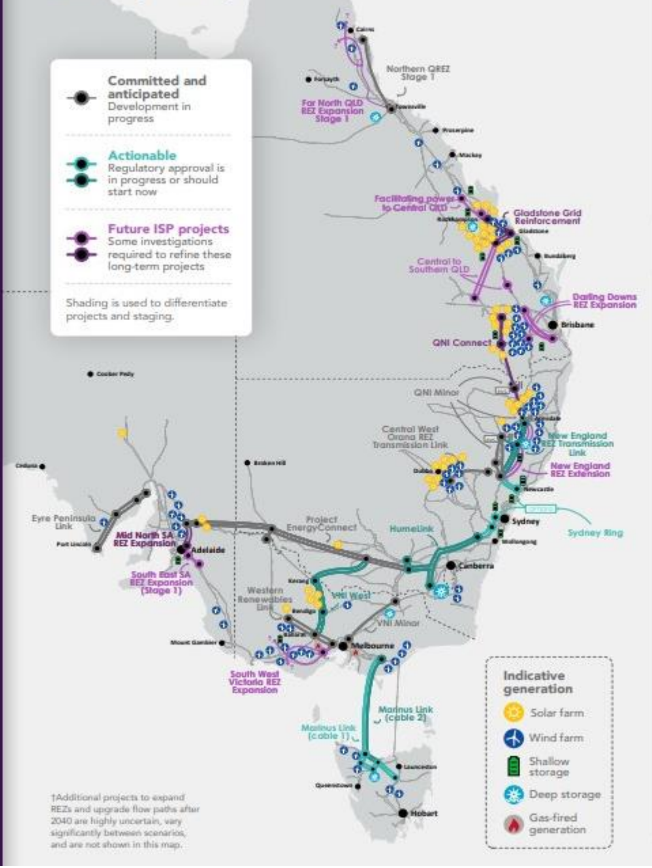
AEMO
AUSTRALIAN ENERGY MARKET OPERATOR

2022 Integrated System Plan (ISP)

The Australian Energy Market Operator (AEMO) has published the 2022 ISP, a 30-year roadmap for essential and efficient investment in the National Electricity Market (NEM).

The 2022 ISP supports Australia's highly complex and rapid energy transformation, switching from higher-cost, high-emission energy to lower-cost renewable energy, doubling capacity to power transport and industry, and at all times providing consumers with reliable, secure and affordable power.

Network projects in the optimal development path



Consultation

The 2022 ISP is based on rigorous economic and engineering analysis, and almost two years' in-depth stakeholder engagement with energy consumers and providers, State and the federal governments, and energy regulators and analysts.

- Over **1,500** individual stakeholders
- Discussions convened through **31** webinars and **39** reports
- Detailed feedback received through **198** submissions

Considerations

- Market reforms
- Government policies
- Economic growth
- Emission targets
- Grid technologies and services
- Consumer investment in DER

Expected energy transition to 2050

('Step Change' scenario)

Storage capacity to increase by a factor of 30
(Batteries, virtual power plants, pumped hydro.)
NOW 2 GW → 2030 15 GW → 2050 61 GW

Grid-scale wind and solar to increase 9-fold
NOW 16 GW → 2030 44 GW → 2050 141 GW

Distributed solar PV to increase 5-fold
NOW 15 GW → 2030 35 GW → 2050 69 GW

Electricity usage from the grid to nearly double
NOW 180 TWh → 2030 184 TWh → 2050 320 TWh

Gas-fired peaking plants to increase
While current mid-merit plants will all retire within that period.
NOW 7 GW → 2050 10 GW

Coal generation to be withdrawn
Capacity to be retired by:
2030 60% → 2043 100%

Optimal development path (ODP)

The ODP identifies five projects as immediately actionable which should progress as urgently as possible – HumeLink, VNI West, Marinus Link, Sydney Ring and New England REZ Transmission Link.

While delivery dates are as advised by project proponents, earlier delivery would provide valuable insurance for any faster transition or additional benefits to consumers. Supporting policies and mechanisms from the Commonwealth and jurisdictional governments may be able to assist in earlier delivery.

Net benefits

The transmission projects within the ODP are forecast to deliver scenario-weighted net market benefits of $28 billion, returning 2.2 times their cost of approximately $12.7 billion.

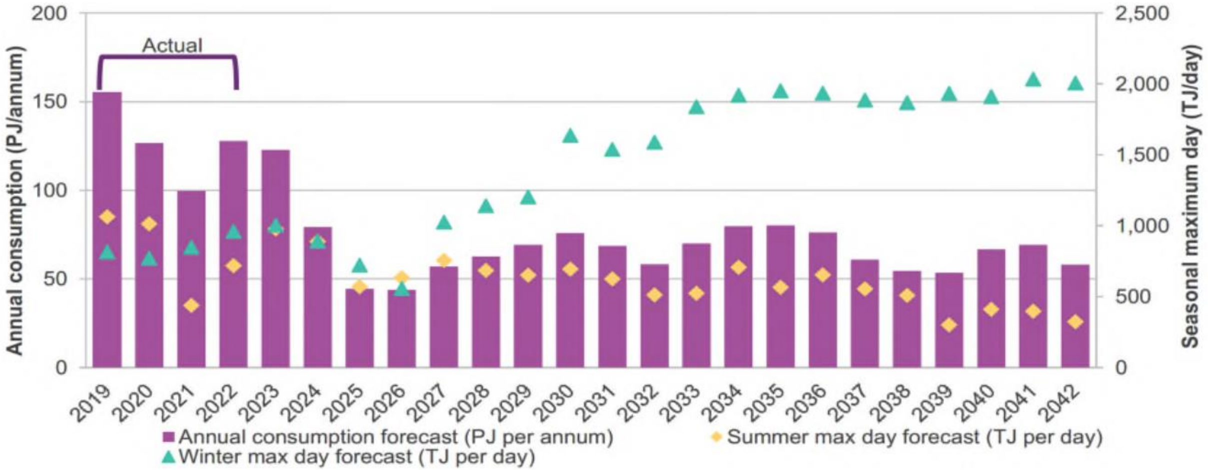
Although they represent just 7% of the total generation, storage and network investment in the NEM, they will provide investment certainty, optimise consumerbenefits, and embed flexibility to reduce emissions faster if needed.

*Source: AEMO 2022 Integrated System Plan (ISP) - Infographic

Gas Market **Transition**

"In Australia's National Electricity Market (which does not include Western Australia or the Northern Territory) the system services gas generation provides are crucial. But its overall contribution to the energy mix is anticipated to decrease over the coming decades, in absolute terms and as a percentage of the total energy production.
In contrast, peak gas generation is projected to rise, particularly during winter. This is because less direct sunlight and wind cause lower renewable energy generation (see Figure 3)."

Figure 3. *Actual and forecast NEM gas generation annual consumption (petajoules/year) and seasonal daily demand (terajoule/day), orchestrated step change (1.8 °C) scenario, 2019-42*[9]



Source: https://https://storage.googleapis.com/converlens-au-industry/industry/p/prj27dea2ada2e0dc2bc348a/public_assets/future-gas-strategy-consultationpaper.pdf

Growth – **Engineering**

Key Initiatives & Focus Areas

- Support of Key Clients with their Changing Sustainable landscape
- Transition to and electrical economy with Biogas / Hydrogen support
- Continued growth of renewables
- Gas as a peaking fuel rather than a base load fuel
- Need for gas storage
- Growing number of Decarbonisation projects at mines
- Innovative product transportation
- Greater grade control at mine and port

Pre-feasibility Study Of Mid-West Shared Infrastructure

Immediate Projects to Target

Gas Market Transition

- Engineer changes to Gas pipeline operations
- Engineer storage projects
- Grow Biogas and CCUS projects

Electrification

- Build battery profile / acquire greater capacity
- Invest in Wind / Hydro / Geothermal
- Invest / partner in connections modelling business
- Invest / Grow T&D advisory business

Green Commodities

- Control / Instrumentation / AI supply chain upgrade
- Decarbonisation projects at mines of Key clients
- Focus on Magnetite mines and their development and slurry pipeline solutions

Growth – **Asset Management**

verbrec asset management

Key Initiatives & Focus Areas

- Geographical expansion –
  - Strengthen and grow in QLD & WA
  - Establish and grow presence in NZ & NT & SA
- Full Time Business Development Resource in WA, SA, NT
- Development and Sale/Subscription of Software Solutions AIDE
- AM Industry Specialists - Infrastructure

Unlocking higher value from client's assets

Immediate Projects to Target

Multiple opportunities – Major Clients

- Leverage off work being undertaken in QLD
- Continue to establish relationships with WA team
- Greater BD focus

Capital Planning and Maintenance Improvement

- Pilot project underway with key Client
- Proposals to be submitted for future work
- Ongoing engagement and positioning to support the Maintenance Improvement Project
- Potential support position upcoming

Master Data On-Line (MDO) Implementation

- Undertake demonstrations
- Development of track record

Growth – **Infrastructure Services**

Key Initiatives & Focus Areas

- The Infrastructure Services team is currently resource constrained
- Secured works are competing for the same resources
- Pipeline Operators & Project Engineers can be recruited but vehicles, equipment and tools are not readily available – Investment needed
- Long term contracts that generate x2 contract value in additional work across VBC businesses
- Market data
  - **Pipelines in Australia** **33,777km**
  - **Current Verbrec O&M** **1,200km**
  - **Current Targeted Opportunities** **578km**

Immediate Projects to Target

Additional O&M Contracts

- Verbrec designed and built key gas pipelines supplying key Australian Power Infrastructure
- Leverage off our existing Infrastructure Services pipeline contacts and our large engineering capability

Bi-directional Gas Pipeline Projects

- Pipelines we are already operating and maintaining
- Opportunities to increase the capacity to allow new producers to connect into the network

Growth – **Competency Training**

Key Initiatives & Focus Areas

Growth Initiatives

- IECEx Expansion (new partners, national and international markets, services)
- Geographic expansion into NZ & VIC
- Target renewables service delivery opportunities

Actions Required to Support Growth

- Dedicated Business Development Managers to capitalise on emerging opportunities
- Increase key client relationship efforts to enhance service and capability awareness
- Expand the training course schedule
- Currently CT offers 46 short courses, 4 Certificate IV courses and 9 eLearning courses -

Immediate Projects to Target

The growth of the IECEx Accreditation Program

- International accreditation (5 years) for electrical industry professionals (Hazardous Area workers)
- Market demand growing nationally and internationally (international partners)
- Linked to the delivery of CT's 5 Hazardous Areas courses
- 3rd Party delivery partners 'remote assessment centre facilitation & local accreditation'

Establish a permanent CT footprint in New Zealand & Melbourne

- Enabled to deliver Electrical Equipment Hazardous Areas (EEHA) in NZ every 6-8 weeks initially
- Re-establish a footprint in Melbourne
- Enabled to store equipment and deliver publicly scheduled EEHA & Hazardous Areas Classification & Design (HACD) courses

StacksOn™ is a 3D stockpile yard modelling application that enables the visual tracking of material and grades in near real time and in an intuitive way.

Visibility = profitability

StacksOn™ is in active use across a number of stockyards increasing throughput and reducing product variability

Real time 3D stockyard visualisations that track and predict grade

Predict and address off-spec shipments before they are filled

Intuitive tools help ensure delivery on specification

Designed and implemented for the mining industry

The StacksOn **Difference**

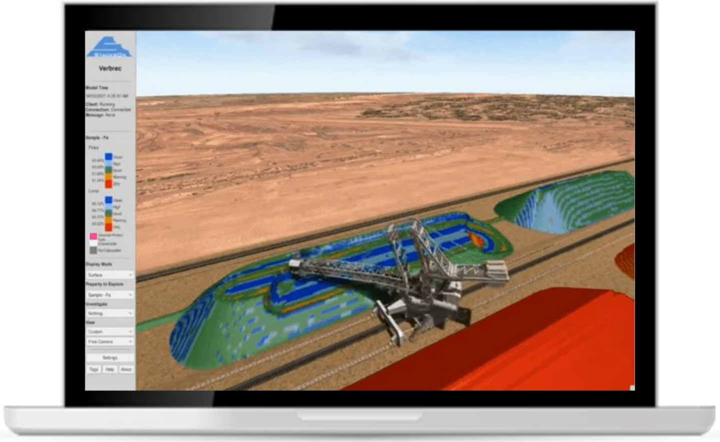
- StacksOn provides a solution for companies with stackers and reclaimers for their **Stockpile management** including mining and non-mining products both at Port and Mine/Facility

- The StacksOn solution is a pre-shipment stockpile management software product. It provides visibility in terms of grade and tonnes to **allow informed decisions** on reclaim strategies and management of product variability

- StacksOn **creates significant value** (tens of Millions of $s) for mining companies by reducing variability and increasing tonnage through more effective and accurate planning

- StacksOn provides **more efficient and higher sales quality** specification for shipments of their products

Addressing a fundamental issue in an innovative way

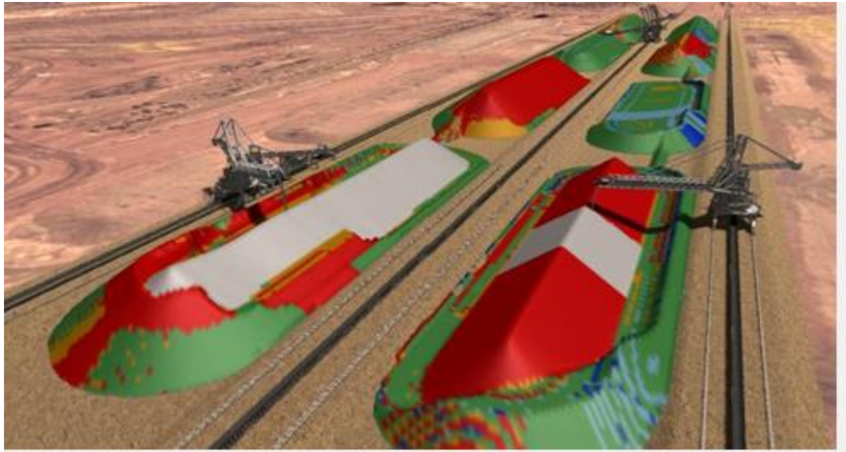


For more information, please visit:
stackson.com

The StacksOn **Difference**

- StacksOn stockpile simulation program used across Western Australia Iron Ore mines for grade control and throughput optimisation
- Equips the client with full visibility over stockpile grade inside inventories with visualisations and reclaim prediction tools to help ensure every delivery is on-specification
- Strong interest from other Iron Ore clients – discussions ongoing
- Potential beyond the Pilbara and beyond Iron Ore!
- StacksOn is a High Margin Business Unit

"……so we know what to load when": BHP



For more information, please visit:
stackson.com

Growth - **StacksOn**

Key Initiatives & Focus Areas

Strong Iron Ore Client interest

- Current contract with BHP for 26 machines with potential to expand
- Current discussions entered into with 3 other major Iron Ore producers

Verbrec reviewing Cost structure and offering:

- License based on a rolling yearly or multi-year basis
- Implementation services
- Ongoing support contracts
- Multiple modules applicable

Future Targets

- StacksOn customers, include any companies with a bulk material quality management requirement. Domestically mining companies are primarily handling iron ore, coal and bauxite. Customers also include bulk management of wheat and barley
- In Australia in Iron Ore there are over 150 stackers and reclaimers
- There are 19 major ports, all of which could benefit from StacksOn
- When Agriculture, Cement, Coal, Power Generation and General Mining are included the number of stackers and reclaimers in Australia increases to approximately 1200
- Overseas opportunities are additional in a growing stacker reclaimer market

Client Feedback - **StacksOn**

Laura Tyler, BHP Chief Technical Officer, World Mining Congress 2023

“So our digital factories got to work and came up with the Product Variability program, which we’ve been using at West Australian Iron Ore.

The technology used a Grade Adjustment Model that uses data sources to capture movements of ore across the supply chain in real time to map the grade coming from the mine.

We then use an application called StacksOn to maintain a 3D model of material in the stockyard, so we know what to load when.

The program addresses a fundamental issue in an innovative way. ***It is materially adding value to our operations, and we’re rolling it out across other commodities.****”*

Sources & **Uses of Funds**

- Verbrec has identified around $1.0 million of capital and operational expenditure to grow core areas of the business – AM, IS, CT and StacksOn.
- Working capital will be required to cover costs of the divestment of the unprofitable parts of training business, pursuit of recovery of fees related to the final legacy project and operational efficiencies.
- Cost of the Offer ~ $0.3 million
- Verbrec plan to reduce the net debt position and to manage to as low as possible debt draw.

Sources	Min A$ million	Max A$ million
Placement	$2.0	$2.0
Entitlement Offer	$1.0	$2.0
Total	**$3.0**	**$4.0**

Uses	Min A$ million	Max A$ million
1. Investment into Growth Activities (StacksOn, AM & IS)	$1.0	$1.5
2. Working Capital including Costs of the Offer	$1.0	$1.0
3. Reduce Net Debt Position	$1.0	$1.5
Total	**$3.0**	**$4.0**

The $3m raise scenario has been prepared on the basis that there is 50% take up of the Entitlement Offer, raising $1m. The $4m raise scenario has been prepared on the basis that there is 100% take up of the Entitlement Offer, raising $2m. The entitlement offer is not underwritten and there is no guarantee these amounts will be raised through the entitlement offer.

Indicative **Timetable**

Activity	Date (AEDT unless otherwise stated)
• Announce Equity Raising, lodge investor presentation and ASX announcement	Pre-trading on 20 November 2023
• Entitlement Offer "Ex" date	22 November 2023
• Entitlement Offer record date	23 November 2023
• Settlement of Placement shares	24 November 2023
• Issue and quotation of the Placement shares	27 November 2023
• Entitlement Offer booklet, including personalised entitlement and acceptance forms, dispatched to eligible shareholders	27 November 2023
• Entitlement Offer closes	5pm on 7 December 2023
• Announce results of Entitlement Offer	8 December 2023
• Bookbuild for Entitlement Offer shortfall opens (if applicable)	11 December 2023
• Announcement of results of Entitlement Offer shortfall bookbuild (if applicable)	12 December 2023
• Settlement & Issue of Entitlement Offer	14 December 2023
• Quotation of Entitlement Offer shares	15 December 2023

Pro-forma Balance Sheet

Verbrec Limited Consolidated Statement of Financial Position As at 30 September 2023	2023 $million Current	impact $million $3m raise	2023 $million $3m raise	impact $million $4m raise	2023 $million $4m raise
Assets					
Cash and cash equivalents	3.2	0.2	3.4	0.4	3.6
Trade and other receivables (including contract assets)	21.6		21.6		21.6
Current tax assets	0.3		0.3		0.3
Total current assets	**25.1**		**25.3**		**25.5**
Property, plant and equipment and Right-of-Use assets	6.7	0.3	7.0	0.5	7.2
Deferred tax assets	7.6		7.6		7.6
Intangible assets	12.4	0.5	12.9	0.6	13.0
Total non-current assets	**26.7**		**27.5**		**27.8**
Total assets	**51.8**		**52.8**		**53.3**
Liabilities					
Trade and other payables (including contract liabilities)	19.3	-0.7	18.6	-0.65	18.7
Borrowings Current	6.2	-1.0	5.2	-1.5	4.7
Lease liabilities_Current	3.1		3.1		3.1
Other financial liabilities and provisions including employee benefits	5.9		5.9		5.9
Total current liabilities	**34.5**		**32.8**		**32.4**
Total non-current liabilities	**4.1**		**4.1**		**4.1**
Total liabilities	**38.6**		**36.9**		**36.5**
Net assets	**13.2**		**15.9**		**16.9**
Equity					
Total equity attributable to owners of the Company	**13.2**	**2.7**	**15.9**	**3.65**	**16.9**

The $3m raise scenario has been prepared on the basis that there is 50% take up of the Entitlement Offer, raising $1m. The $4m raise scenario has been prepared on the basis that there is 100% take up of the Entitlement Offer, raising $2m. The entitlement offer is not underwritten and there is no guarantee these amounts will be raised through the entitlement offer. The financial information presented in this pro-forma balance sheet is in abbreviated form and does not include all disclosures required by Australian Accounting Standards.

Key Investment Risks

This section discloses some of the key risks attaching to an investment in new ordinary shares (New Shares) in Verbrec (Company) under the Offer. Before investing in the Offer, you should consider whether this investment is suitable for you, having regard to publicly available information and your personal circumstances and following consultation with your professional advisors. These risks include: risks specific to the Offer, risks to the Company, and general risks. The risks in this section are not, and should not be considered to be or relied on as, an exhaustive list of risks relevant to an investment in the Company. The risks are general in nature and do not have regard to the investment objectives, financial or tax position or other particular circumstances of any investor.

Risk	Description
Risks relating to the Company and the Offer	
Non-Renounceable Offer	Entitlements cannot be traded on ASX or privately transferred. If eligible shareholders do not take up all of their available entitlements, individuals' percentage shareholding in the Company will be diluted.
Financial Risks	The Company's ability to increase earnings and to make interest and principal payments on its debt will depend, in part, on its ability to source sufficient capital to operate its businesses and meet its debt obligations. There can be no assurance that this capital will be available on acceptable terms, or at all. If the Company breaches a covenant under its existing finance facilities, this may trigger an obligation to repay of funds to the financier. There is no guarantee that the Company will be able to secure any additional funding or be able to do so on terms favourable to the Company. Any additional equity or debt funding may involve further dilution to shareholders. The Company may need to raise additional capital (whether debt, equity or hybrid) in order to continue growing, meet debt finance obligations and increase its profitability.

Key Investment Risks

Risk	Description
Risks relating to the Company and the Offer	
Financial Risks	Any changes to legislation and the operations of the relevant regulators or any of their successors may have substantial impacts on the Company's investments, financial and operating performance. The Company's revenue and profitability will be highly correlated to spending levels by resource, infrastructure and other businesses which use engineering services, which in turn could be affected by changes in macroeconomic conditions in Australia and internationally. Changes in the macroeconomic environment are beyond the control of the Company and include, but are not limited to: • changes in inflation and interest rates; • global commodity and exchange rate risk; • fixed price contract risk; • changes in employment levels and labour costs, wage inflation and changes in industrial relations laws, which will affect the cost structure of the Company; • changes in aggregate investment and economic output; and • other changes in economic or market conditions which may affect the revenue or costs of the Company. In particular, the Company will directly or indirectly generate the majority of its revenue from public sector infrastructure, mining and construction projects, and will be dependent upon the strength of the market in Australia. Related expenditure is closely tied to general market conditions, commodity prices, government expenditure on public sector infrastructure, mining sector expenditure and construction project expenditure, the level of gross domestic product growth and the performance of the economy as a whole. Deterioration in macroeconomic conditions in Australia could adversely impact the financial performance of the Company.

Key Investment Risks

Risk	Description
Risks relating to the Company and the Offer	
Going Concern Risk	The Company's FY23 Annual Report released to ASX on 30 August 2023 (Annual Report) includes a note on the financial condition of the Company and the possible existence of a material uncertainty about the Company's ability to continue as a going concern. The Directors believe that, notwithstanding the 'going concern' qualification in the Annual Report the company will have sufficient funds to adequately meet the Company's short term working capital requirements on the basis that: as of July 2023, the Group had in excess of $66m of contracted work, the markets in which the Group operates continue to be at buoyant levels, actions have been taken to reduce excess labour overheads across the Group, the impact of those poor performing legacy projects have ceased with the last remaining of those projects having been closed out, and the Directors anticipate the ongoing support of the Group's financiers and note that no action was taken in respect of the covenant breach at 31 December 2022 or is expected to be taken in respect of the covenant breach at 30 June 2023.
Climate Risk	There are a number of climate-related factors that may affect the operations and proposed activities of the Company. The climate change risks particularly attributable to the Company include: • the emergence of new or expanded regulations associated with transitioning to a lower-carbon economy and market changes related to climate change mitigation. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences; and

Key Investment Risks

Risk	Description
Risks relating to the Company and the Offer	
Climate Risk	climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer-term physical risks, such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Company operates.
Customer and Customer Retention Risk	As with most businesses, the Company runs risk from a loss of clients. As is common in the industry, the Company typically enjoys long customer relationships, and it has a diverse spread of customers. However, as with other industries, technology advancements or the Company not performing to customers' expectations may lead to an increase in the difficulty of retaining customers. Loss of or a significant decrease in business from customers could harm the Company's revenues and the Company's business. Further, although the Company has agreements in place with its existing customers, these agreements require the Company and/or the customers to meet certain obligations. Whilst the Company monitors its obligations under agreements, there is no guarantee that customers will adequately or fully comply with their respective contractual rights and obligations, including the obligations to pay for services provided.
Innovation and Competition Risk	The Company's ability to retain, increase, and engage its clients and address their evolving needs and to increase revenues will depend heavily on management's ability to successfully create and grow demand for its services. Remaining innovative and developing new and unique service offerings requires investment and configuration, requiring monetary and internal resource investment, which may erode the Company's competitive position and adversely affect the growth and profitability of the Company.

Key Investment Risks

Risk	Description
Risks relating to the Company and the Offer	
Regulatory Risk	The introduction of new policies or legislation, or amendments to existing policies or legislation, and the failure by governments to act promptly to introduce new or amend existing policies or legislation that governs the Company's operations or contractual obligations could impact adversely on the operations and, ultimately, the financial performance of the Company. In conjunction with its strategic partners, the Company monitors the policies and regulations that apply to Company's operations and regularly engages and consults with government agencies.
Privacy and Cyber Security Risk	The Company collects, transmits and stores commercial and financial information. Advances in computer capabilities, increasingly sophisticated tools and methods used by hackers and cyber terrorists, new discoveries in the field of cryptography or other developments may result in the Company's failure or inability to adequately protect its commercially sensitive information. An external cyberattack may have a detrimental effect on the Company. The Company may be unable to service clients for the period of an outage, which could ultimately result in a loss of clients and consequently revenue. Confidential Company and client information may be compromised. Any data breach will need to be reported to the relevant authorities and may cause substantial reputational and financial damage to the Company. The Company has established measures and systems to minimise the likelihood of security breaches and these systems are regularly monitored for development or improvement.

Key Investment Risks

Risk	Description
Risks relating to the Company and the Offer	
Customer Disputes	The Company can from time to time find itself in a dispute with a customer. Given the significant diversity of the customer base, the impact of any one dispute may be immaterial. However should a systematic failure occur in service provision, there is no guarantee that this would not impact the availability of the services to many customers and therefore result in multiple disputes that could have an effect on the financial performance and profitability of the Company. The Company monitors its performance carefully to minimise the risk of such disruptions and widespread customer disputes and complaints.
Reliance on Key Personnel and Staff Risks	The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment. The Company is dependent on securing and retaining skilled staff to operate. This includes skilled engineers and other similar staff. There can be no guarantee that the Company will always be able to find, train and retain appropriate staff in a manner that does not impact the operations and therefore financial performance of the Group.
Intellectual Property Protect Risks	The Company seeks to differentiate its service through providing a unique and valuable service. In addition, it seeks to use the latest and most effective products and software to do so. There can be no guarantee that the Company is able to protect any or all of its intellectual property developed in the provision of its services in the future. In addition the Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights or defending against claims it has infringed on a third party's patent or other intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and cause a distraction to management.

Key Investment Risks

Risk	Description
Risks relating to the Company and the Offer	
Market Risks	The Company operates in the highly competitive engineering consulting industry and asset services sector, with a number of operators competing for market share with similar or substitute services. The increase in market share by competitors and/or the entry of new competitors in the industries in which the Company participates may have an adverse effect on the Company's financial and operating performance.
Regulatory Risks	The Company will be subject to local laws and regulations in each of the jurisdictions in which it operates. Future laws or regulations may be introduced in the industries in which the Company participates and if this occurred, these could restrict or complicate the Company's activities. Any such impacts may adversely impact the Company's future operating and financial performance.
Litigation Risks	In the ordinary course of business, the Company may be involved in complaints, disputes or litigation by customers, suppliers, employees, government agencies or other third parties, including disputes or litigation arising from intellectual property claims, contractual disputes, occupational health and safety claims and employee claims. Such matters may have an adverse effect on the Company's reputation, divert its financial and management resources from more beneficial uses, and have a material adverse effect on the Company's future financial performance or position.
Insurance Coverage	The Company currently has in place what it considers are adequate levels of insurance to cover the Company from potential losses and liabilities. There is a possibility that events may arise which are not adequately covered by existing insurance policies. The Company cannot guarantee that existing insurance will be available or offered at a commercially acceptable price in the future.

Key Investment Risks

Risk	Description
Risks relating to the Company and the Offer	
Asset Impairment Risks	The Company's Board regularly monitors impairment risk. Consistent with accounting standards, the Company is periodically required to assess the carrying values of its assets. Where the value of an asset assessed is to be less than its carrying value, the Company is obliged to recognise an impairment charge in its profit or loss. Impairment charges can be significant and operate to reduce the level of a company's profits, may impact its capacity to pay dividends and may impact upon financial ratios relevant to the Company's financing arrangements. Impairment charges are a non-cash item.
Growth Strategy	The Company's future performance is dependent upon its success in executing its strategies and initiatives. The Company's strategy to grow market share within existing markets may not be successful in part or at all. If these key strategies are ineffective or achieved later than expected, the Company's operations and financial performance could be adversely affected.
Acquisition and Divestment Risks	The Company periodically considers acquisition and divestment opportunities. There can be no assurance that the Company will identify suitable acquisition or divestment opportunities or other projects at acceptable prices, or successfully execute those opportunities. Further, the Company's past and future acquisitions and divestments may be subject to unanticipated risks and liabilities, or may disrupt its operations. Acquisitions may not deliver projected benefits or value, and integrations may not be successful, resulting in interruptions to the achievement of business strategy. Due diligence undertaken in making acquisitions may not have identified all liabilities and risks associated with the relevant business. This may divert management's attention and resources from the Company's day to day operations.

Key Investment Risks

Risk	Description
Risks relating to the Company and the Offer	
Guarantees and Indemnities	The Company may be called upon to give guarantees and indemnities in respect of the performance by counterparties, including controlled entities and related parties, of their contractual and financial obligations. These guarantees and indemnities are generally indeterminable in amount.
Business Interruptions	Significant business interruptions as a result of natural disasters (such as fire, earthquake, flood or cyclone), pandemics or public health emergencies, general periods of prolonged rain, unstable service sites or regulatory intervention may have a materially adverse impact on the business activities of the Company and its clients and may lead to a decrease in profitability and earnings.
General risk	
General Investment Risks	There are general risks associated with investments in equity capital. The trading price of the Company's ordinary shares on ASX may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Offer Price. • Generally applicable factors which may affect the market price of the Company's ordinary shares include: • general market volatility; • recommendations by brokers and analysts; • Australian and international economic conditions and outlook, including changes in interest rates, the rate of inflation, exchange rates, commodity prices, employment levels and consumer demand; • changes in Australian and foreign government regulation and fiscal, monetary and regulatory policies; • geo-political instability, including international hostilities, acts of terrorism, the response to COVID-19 and travel restrictions; • natural disasters, extreme weather events and catastrophes, whether in global, regional or local scale • changes in market valuations of other companies in the construction industry; and • future issues of equity securities by the Company.

Key Investment Risks

Risk	Description
General risk	
General Investment Risks	The share prices for many listed companies have in recent times been subject to wide fluctuations and volatility, which in many cases may reflect a diverse range of non-company specific influences referred to above, including the general state of the economy, investor uncertainty, geo-political instability and global hostilities and tensions. No assurances can be given that the New Shares will trade at or above the Offer Price. None of the Company, its Board, the Lead Manager, or any other person guarantees the market performance of New Shares.
Market Conditions	Share market conditions may affect the value of the Company's shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as: • general economic outlook; • introduction of tax reform or other new legislation; • interest rates and inflation rates; • changes in investor sentiment toward particular market sectors; • the demand for, and supply of, capital; and • outbreaks of disease, epidemics, pandemics, terrorism or other hostilities. The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.
Trading Liquidity	There can be no guarantee that there will be an active market for trading of the Shares or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time, which may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares, which may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

Key Investment Risks

Risk	Description
General risk	
Dividends	Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.
Accounting Standards	The Company's financial reports will be subject to compliance with the Australian International Finance Report Standards issued by the AASB, which are outside the Directors' and the Company's control. Changes to accounting standards issued by AASB could adversely affect the financial performance and position reported in the Company's financial statements.
Taxation	The acquisition and disposal of shares may have tax consequences, which will differ depending on the individual financial affairs of each investor. All existing and prospective investors in the Company are urged to obtain independent financial and/or taxation advice about the consequences of dealing in shares from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for shares.
Economic Risk	General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Key Investment Risks

Risk	Description
General risk	
Force Majeure Events	The Company may be adversely impacted by international hostilities or war, acts of terrorism, epidemics/pandemics such as COVID-19, political or social instability (particularly as it relates to personal safety and road infrastructure), industrial disputes, natural disasters, large corporate failures in the construction industry and weather effects. These events may impact upon specific locations or be of generalised effect, which may have a flow on effect on the Company's business and trading price of shares.
Industry Risks	The engineering services industry is broadly driven by public sector infrastructure, mining and construction projects. The company will be impacted by the demand for engineering services from these sectors and industries. Any downturn in the mining industry, the construction industry or a reduction in government spending on public infrastructure works may have a significant adverse effect on the Company. The company may also be affected by changes in the nature of the engineering industry, such as changes to demand for different project delivery or asset services.
Project Risk	There is a risk that cost overruns may occur across one or more of the Company's projects which may have an impact on the Company's future financial performance, including if the project is undertaken on a fixed price contract basis. Additionally, cost overruns may result in an inability to procure future contracts and maintain existing contracts. Future cost overruns may be damaging to the Company's reputation and business relationships.

Key Investment Risks

Risk	Description
General risk	
Industry Risks	The engineering services industry is broadly driven by public sector infrastructure, mining and construction projects. The company will be impacted by the demand for engineering services from these sectors and industries. Any downturn in the mining industry, the construction industry or a reduction in government spending on public infrastructure works may have a significant adverse effect on the Company. The company may also be affected by changes in the nature of the engineering industry, such as changes to demand for different project delivery or asset services.
Other Risks	The Company is exposed to changes in the regulatory conditions under which it operates in Australia. Such regulatory changes include: • taxation laws and policies; • accounting laws, policies, standards and practices; • engineering laws and regulations that may impact upon the operations and processes; and • employment laws and regulations, including laws and regulations relating to occupational health and safety. The above risks are not an exhaustive list of the risks involved in holding Shares. The risks outlined above and other risks may materially affect the future performance of the Company. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by the Company in respect of its future performance.