

31 October 2018

September Quarterly Report

RBR makes strong progress in strategy to supply training and labour hire services to impending US\$50b LNG construction boom in Mozambique

Labour hire and training specialist RBR Group (ASX: RBR) is pleased to present its September Quarterly Report.

During the quarter, RBR made significant progress in its strategy to be a key service provider to the impending LNG construction boom in Mozambique. The proposed projects have a combined estimated capital cost of US\$50 billion and are expected to have a peak construction workforce of up to 50,000. Given the size and requirements of these projects, RBR believes it is well-placed to create substantial value for its shareholders by providing training and labour hire services to them.

Mozambique is rapidly shaping up as a major LNG producer based on the discovery of vast quantities of high-quality gas in the Rovuma Basin off the northern Cabo Delgado province. Put into context, enough gas has been discovered to supply the USA's total demand for about seven years.

The Projects:

In Mozambique, three mega on-shore projects are under development or consideration. These projects are:

- An Anadarko-led, two train onshore LNG plant with total nameplate capacity of 12.88Mtpa. This cornerstone project paves the way for significant future expansion of up to 50Mtpa. Anadarko's FID is expected around the end of the first quarter in 2019, with first gas pencilled in for 2023/24;
- The ExxonMobil-led project is even larger than Anadarko's. Exxon intends to construct two supertrains of 7.6Mtpa each, being the world's biggest liquefaction units outside Qatar. Exxon and Anadarko will share onshore infrastructure in the Afungi LNG park. Its FID is anticipated around the middle of 2019, with first gas expected in 2024;
- Shell has completed a feasibility study for a US\$5 billion gas-to-liquids (GTL) plant and is in the concept selection stage. Despite being the global leader in this technology, its key challenge is securing supply of gas feedstock to the GTL plant. Without access to any inhouse production in Mozambique, Shell will rely on output from one of the other LNG facilities.

RBR believes its core competencies will enable the Company to be a key service provider to these projects. The following table summarises our strategic efforts to date in building a competitive advantage in-country.

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MOZAMBIQUE CAPABILITY	STATUS
Labour Broking Licence Very few issued, and long lead time to acquire	✓
Database of Skilled Labour Over 110,000 Mozambicans	✓
Skills Training & Assessment Already the premier provider	✓
ECITB Accreditation Application underway	Formal ECITB accreditation expected early November 2018
Intellectual Property Innovative FuturoCARD™ training record	✓
Adequate Facilities Upgrade and expand in northern Mozambique	Well established in Maputo. Require capital for expansion in northern Mozambique
Visas & Immigration for Expats Have in-house capability	✓
In-country Network 14 staff, 3 offices Established relationships with key industry participants	✓

Database of Skilled Locals:

During the quarter, RBR announced that it had expanded its network of potential Mozambican job seekers by more than 100,000 people through database agreements with local companies.

The expansion represents the start of what RBR believes will be significant growth in its labour database network as it prepares to be a key supplier of personnel and training services to the LNG construction boom in Mozambique.

The databases now accessible to RBR comprise job seekers with a range of education standards, training and work experience.

Under the Mozambican Government’s current labour laws, 19 of every 20 workers will have to be Mozambicans. While there are likely to be concessions provided to the projects during both construction and operation, there will remain a significant local employment requirement, meaning RBR’s database of jobseekers, along with its assessment, training, and labour hire capabilities, will be extremely valuable.

ECITB Accreditation – Audit:

During the quarter, RBR also advised that it was set to complete an accreditation audit by the UK’s Engineering Construction Industry Training Board (ECITB), marking another pivotal step in the Company’s strategy to become a major supplier of personnel and training services to the LNG industry.

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The scope of the audit, which finished on Friday 28 September, included health and safety as well as the five technical disciplines (non-critical welding, scaffolding, rigging, pipe fitting and steel erecting) which are expected to account for the bulk of the LNG construction workforce.

Based on feedback from the auditor, RBR is confident it will become the first organisation in Mozambique to secure ECITB accreditation. Global petroleum giant Anadarko, which owns one of the Mozambican LNG projects, has stipulated that all workers contracted to its project must hold internationally-recognised qualifications, with ECITB qualifications identified as being most suitable for the local workforce.

There is an expectation that the other major project proponents, ExxonMobil and Eni, will adopt the same standard. This means the anticipated ECITB accreditation will leave RBR strongly positioned to capitalise on the significant training and labour hire opportunities which will flow from the LNG boom.

RBR believes formal advice of ECITB accreditation is imminent.

Strategic Alliances:

Subsequent to the end of the quarter, RBR continued to establish and expand its core competencies in preparation for the start of the LNG construction.

The Company signed a binding Memorandum of Understanding with leading global provider of skilled expatriate workers, Kuiper International Pte Ltd. Under the proposed alliance, the pair will seek to provide tradespeople to the LNG projects.

Despite the Government's expectations that the LNG projects will employ a high percentage of locals during the construction phase, significant numbers of expatriates will still be required.

Under the RBR-Kuiper alliance, Kuiper's global database of tradespeople will be combined with RBR's database of local workers and offered to clients using RBR's Mozambican labour hire licence, which is a pre-requisite to providing services such as those envisaged by the alliance partners.

At the date of this report the Company is in advanced discussions on additional strategic alliances with a number of industry participants.

Funding:

The Company has called a general meeting of members to be held on Tuesday 6 November to consider and approve a capital raising of up to A\$1.5 million by the way of a Convertible Note offering to professional and sophisticated investors. Successful completion of the raising will see the Company well-funded into calendar 2019 in preparedness for the expected FID by Anadarko and ExxonMobil.

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