

29 April 2019

March Quarterly Report

RBR lays groundwork to supply training and labour services to US\$50b LNG construction boom in Mozambique

Go-ahead for first LNG project expected imminently, opening door to huge demand for the assessment, training and labour hire services provided by RBR

Labour hire and training specialist RBR Group (ASX: RBR) is pleased to present its March 2019 Quarterly Report.

During the quarter, RBR continued to establish the capabilities which will enable it to be a key provider of labour-related services to the impending LNG construction boom in Mozambique.

The proposed LNG 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 remains confident it is well-placed to create substantial value for its shareholders by providing targeted training and labour hire services to the many companies tasked with delivering their services under demanding conditions.

Anadarko, Chevron and the Mozambique Area 1 LNG Project Contractors

The past two months, in particular, have seen significant change in the oil & gas sector relevant to Mozambique's Rovuma basin LNG projects. Most notable was the 12 April 2019 announcement that Chevron plans to acquire Anadarko in a deal valued at US\$50 billion, which includes Anadarko's 26.5% share (with operator rights) in the 12.88 million tonnes per annum Mozambique Area 1 LNG project. This broadly coincided with shareholding and operational changes in the project's lead contractor consortium, the CCS JV, with Italy's Saipem assuming the lead role from McDermott.

Anadarko and its project partners were expected to make their Final Investment Decision (FID) on the Area 1 project by end April. The CEO of Chevron is quoted as saying that the company "would intend to see it through on the path that it is on. It is moving steadily towards FID (Final Investment Decision), which we support".

However, last week, Occidental Petroleum Corp reportedly made a counter bid for Anadarko. Anadarko said in a written statement that its board has not determined whether it viewed Occidental's offer as better than Chevron's, adding that it would respond to Occidental after reviewing the bid. In the meantime, the board continues to recommend a deal with Chevron, Anadarko company said.

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ExxonMobil's Area 4 LNG Project

The second, even bigger (15.2 Mtpa), LNG project led by ExxonMobil is understood to be proceeding towards a Final Investment Decision in Q3 2019 and potentially as soon as July.

RBR remains confident that it offers a unique value proposition and suite of services, affording it a strong position to participate in the Mozambique LNG projects and related opportunities.

Developments during the Quarter:

- **Investment in Mozambique capabilities:** RBR raised \$1.3 million through the issue of Convertible Loans, which was successfully concluded in January 2019. The funds were raised to upgrade the Company's systems (implementation is underway), hire additional staff with specific skills in training and labour broking (see ASX announcement dated 4 April 2019), purchase equipment (staged approach is underway) and expand its footprint in strategic locations (RBR has four alternative opportunities and the preferred choice, a facilities-sharing arrangement with an international equipment supplier's Mozambique subsidiary, is in advanced stages);
- **ECITB Accreditation:** RBR subsidiary Futuro Skills Mozambique's (FSM) accreditation from the UK's Engineering Construction Industry Board (ECITB) remains a key strength. The five ECITB technical disciplines on FSM's scope, namely rigging, scaffolding, welding, pipe-fitting, and steel erecting, continue to be sited by Anadarko as skills core to their project and its strategy to employ local Mozambicans in meaningful numbers. RBR understands that FSM is the only Mozambique-registered training organisation with ECITB-accreditation for these five disciplines;
- **Skills Fair Contract:** In recognition of the above accreditation and FSM's participation in the December 2018 launch event for the Anadarko Area 1 LNG project and Government of Mozambique Skills Fair initiative, FSM was awarded a contract to "Perform a series of Skills Roadshows around Mozambique for the Mozambique LNG Project" – see ASX announcements on 11 and 12 December 2018. This Agreement remains in force. However, the scope of the Skills Fair has grown, and the expected numbers of Mozambican participants has ballooned from about 700 to over 2,500. FSM is ready to start performing its duties under this contract;
- **Senior Personnel Appointments:** The commencement of employment, on 1 May 2019, of Mr Ray Voorhoeve as country manager for RBR, is a key milestone. Mr Voorhoeve has previously held senior HR roles at BHP Billiton (Samancor group) and Kenmare Resources' Mozambican mineral sands operation, where he was responsible for a 1250-strong workforce including systems integration, payroll, manpower and recruitment. He was most recently HR Manager at TEBA Ltd, a South African-managed and owned labour supply group. TEBA has aligned itself with RBR and its in-country operating subsidiary Futuro Group via a database-sharing arrangement (see ASX release dated 21 November 2018). Mr Voorhoeve will ensure that RBR and TEBA maximise the opportunities and value that the alliance offers, and will add significant recruitment and labour hire expertise to the team;
- **Key Contracts and New Business:** In January 2019, South32's Mozal aluminium business appointed FSM as its sole provider of a range of training and assessment services to all its contractors, as required for entry to site. The contract runs until at least the end of June and month-by-month thereafter, with variable revenues up to about \$20k per month (driven by contractor volumes), potentially growing if other programs are added to the scope of works. FSM has also been delivering two months of skills development on behalf of Sasol to the stakeholder communities around its Inhassoro petroleum operations, delivering over \$100k of revenues to FSM (which will reflect in the June 2019 quarter revenues);

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- **Capital and Future Funding:** As at quarter end the Group had cash balances of \$864k. Ongoing contract work in Mozambique is providing the funding of operations in-country with anticipated significant additional revenues from the Skills Fair imminent. The Company also has 29,321,429 July 2019 options outstanding (7,528,573 options already exercised and \$135,514 received), exercisable 15 July which, on exercise, will deliver additional \$528k in funding. Given the level of activities in Mozambique and the stated desire of all parties to push ahead with planned FID and project timeline, RBR is confident that these options will be exercised and funds received.

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