

31 January 2020

December Quarterly Report

RBR well-positioned to win first major contracts supplying training and labour to Mozambique LNG construction projects

Five years of preparations are about to come to a head for RBR, with initial construction underway on \$90B worth of LNG projects; RBR has the licences, personnel and operational locations in place to fully develop the key infrastructure to provide training and workers to these projects

Key Points

- RBR poised to secure its first contracts to supply training and labour to Mozambique's emerging \$90B LNG construction industry
- In the quarter, RBR secured a 10-year leasehold interest at an established camp site in the Mozambican town of Palma. The camp site will provide RBR with a strategically-located operations base less than 10km from the LNG construction site and close to Palma airport and marina

Click [here](https://youtu.be/zdTF1VICZHU) to see an animated flythrough of the concept development plans for the camp. Web address: <https://youtu.be/zdTF1VICZHU>

- Subsequent to the Total-led onshore LNG project's FID in June 2019, several key construction contracts have been negotiated or are under negotiation with sub-contractor companies. In turn, RBR is in discussion with these parties as to addressing the local content, skills training and local labour needs
- In addition, RBR has advanced discussions with International donor agencies regarding funding of skills training in and around the LNG projects, leading to employment and social upliftment of local communities

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

The past quarter saw the multi-national petroleum companies behind Mozambique's emerging LNG industry move to the cusp of commencing the major construction contracts. This group of initial LNG projects (Eni's floating LNG, and each of the Total-led and ExxonMobil-led on-shore LNG projects) have an estimated capital cost of more than \$90 billion, are expected to require up to 50,000 workers at peak construction, and will create hundreds of thousands of jobs in the surrounding district.

Five years ago, RBR identified the opportunity to provide training and labour to these projects. Since then, the Company has been building its profile in-country, establishing the operational bases and initial infrastructure required to deliver fit-for-work, trained and suitably skilled local labour to help meet the nation's expectations on local participation.

RBR spent the past quarter focussing its attention on securing a strategic base in Palma, near to the LNG construction site, and transitioning staff and materials in anticipation of being awarded the first of these targeted contracts in the coming quarter.

RBR is the only ASX-listed junior company with an exposure to this opportunity. With a market capitalisation of just \$8 million (at 1c a share), the Company is highly leveraged to success in securing contracts. RBR's business model does not depend on providing services directly to the multi-national project proponents. The primary target clients are the numerous sub-contractors which will in turn be contracted to the projects.

However, the one thing that every company in the region has in common is the need for people/employees. These people must be identified, trained for the role they will fill (and all will need health & safety training) and placed into roles in the most safe and efficient way possible. It is simply not feasible to depend solely or primarily on expatriate labour, nor on Mozambican migrant labour. Securing the participation of the local population is the only way.

Wentworth camp, Palma:

During the quarter, RBR completed a pivotal deal to access a strategic new operations base less than 10km from the LNG construction sites. The Company secured a sublease to the established Wentworth camp in the town of Palma, which will enable it to scale up operations and train workers for the construction jobs.

The camp is located less than 10km from the Mozambique LNG construction site, less than 1km from both the Palma airport and Palma marina and across the road from the well-known Amarula hotel, which is a popular venue for visiting expatriates.

Wentworth was established in the early 2000s as a petroleum exploration camp and was built to oil and gas industry standards at the time. The site is approximately 11 acres (44,000m²) in size, is connected to the national power grid, and provided (at its peak) accommodation, office space, medical and recreational facilities, catering and support infrastructure for over 100 people.

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Location of the Wentworth camp relative to strategic infrastructure:



Figure 1 (left):

Palma airport

Wentworth camp

LNG project infrastructure

Figure 2 (right):

Wentworth camp

Amarula Hotel



Above images sourced from Google Maps.

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The current head-leaseholder intends to undertake significant improvements and further development of the camp. RBR's plans to base its training and labour hire/recruitment operations at the site complement these development plans.

RBR's tenancy in this unique site provides accommodation for trainers, catering, classrooms and both undercover and open-air facilities for training in health & safety, work-readiness and practical skills such as scaffolding and rigging. The site delivers rapid deployment opportunities to the RBR team.



RBR's current operations at the nearby Amarula Hotel do not afford RBR the ability to expand operations in line with its growth strategy whereas the Wentworth camp is perfectly suited to RBR's ambitions in terms of scale and independence through dedicated facilities. RBR has begun transitioning operational activities from Amarula to Wentworth.

Commensurate with the Wentworth transition, the Company has relocated its Mozambique head office to the capital Maputo and has secured alternative training venues to ensure that existing and future clients' needs can be met. This has reduced RBR's cost base in the south of the country.

Contract Opportunities:

During the quarter, RBR held productive discussions and negotiations with several large companies which are in turn preparing to commence activities under existing contracts, or expect to secure contracts, in respect to the LNG projects.

The parties that RBR are in discussions with include recruitment firms that hold global agreements with the LNG project developers and are seeking local support, construction companies which either already have or expect to secure contracts at the LNG site, a cross-section of local businesses which require RBR's training and business services, and international donor agencies seeking delivery partners for their public funds. Based on progress to date, RBR is confident that several of these discussions will result in contracts during the first half of this year.

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Capital and Future Funding:

As at quarter end, the Company had cash balances of ~\$425,000.

Operational receipts from customers in Mozambique were in line with September quarter results at \$104k. These revenues were from the Futuro Skills training services delivered predominantly in the southern half of the country, and payroll services. In addition, and as previously announced, net proceeds of \$135k were received from the completion of the capital raising in September 2019.

Looking forward to future funding of the necessary infrastructure and workforce development, the Company remains focussed on its existing shareholder base and, as importantly, the international donor agencies which actively support initiatives aimed at skills training in growth employment sectors and social upliftment of African peoples in the stakeholder communities linked to major capital investments. Mozambique ranks high on the list of Countries to be supported.

During the quarter, RBR has advanced discussions with an aid agency charged with dispensing donor funding focussed on a planned program for the residents of Palma who aspire to securing semi-skilled employment on the LNG Project development and/or with its related industries.

Under the proposals being discussed, this funding would be advanced to RBR in return for training Mozambicans in some of the core skills required by the LNG construction projects and securing employment for the graduates (which is the business strategy of RBR). Several employers in the area have already expressed an interest in employing these trained graduates as they become available.

In the absence of sustainable contract revenue, the Company will continue to rely on access to capital from the equity markets, debt and international donor agencies. The group has successfully accessed each of these sources to date.

Strategic Corporate Investors:

A key aspect of the September 2019 placement was the participation of a strategic African-based investor who took a cornerstone position, applying for shares to the value of \$222,000.

Post FID on the Total-led Mozambique Area 1 Project, there has been a significant lift in the level of interest and direct enquiry to RBR by African and other International-based corporates assessing how they can best access the business opportunities in Mozambique and engage with the EPC contractors to secure project contracts.

Securing the sublease on the strategically-located Wentworth camp with its existing infrastructure has further enhanced RBR/Futuro Group's profile as a credible partner and/or provider of key services in the region.

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