



30 April 2020

March Quarterly Report

During the quarter, RBR continued to build its profile and client base, and advanced negotiations on several major contracts.

The Company's strategic plan, which has been several years in the making, is coming to fruition, with the winning of a contract to provide a key training program. The UKaid-funded JOBA contract is strategic in that it will also pave the way for RBR to start supplying workers to the LNG construction projects.

Key Points

- RBR secured its first major contract to supply training and labour to Mozambique's emerging \$90 billion LNG construction industry
- UKaid has committed ~£582,000 (~A\$1.16m) to the training initiative which will see RBR provide training in health, safety and trade skills
- The contract follows RBR's success in securing a leasehold interest at an established camp site in the Mozambican town of Palma. The 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
- Highly experienced Mozambican training manager appointed to head the Palma operations
- RBR is in advanced contractual discussions with several parties about addressing local content, skills training and local labour needs
- In line with many companies around Australia and the world due to COVID-19, the board has decided to temporarily reduce salaries and fees payable to directors
- RBR and its subsidiaries are implementing the requirements and recommendations of the Mozambican and Australian authorities in respect to managing the COVID-19 issue
- The Company is proactively managing its security exposure in northern Mozambique through a combination of daily regional stakeholder/industry security briefings, a comprehensive risk management framework, and a conservative approach to any potential threats

Labour and training specialist RBR Group (ASX: RBR) is pleased to present its March 2020 Quarterly Report.

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Delivering skilled labour to site, every day



During the quarter, the Company secured its first major contract to train workers for the impending \$90 billion LNG construction boom in Mozambique.

The contract comprises a grant funded by UKaid to provide internationally-accredited training services to Mozambican youth to prepare them for work on the LNG construction projects.

The contract, awarded to RBR subsidiary Futuro Skills, is part of the UK Department for International Development (DFID) Skills for Employment (S4E) Programme, known locally as JOBA.

The JOBA Programme has committed approximately £582,000 (~A\$1.16m) to this training initiative. RBR has already committed capital in preparation for the program in the form of staff, systems, licenses, registrations (ECITB) and equipment and will invest further funds in accordance with the co-funding structure of the JOBA grant.

This investment will ensure that Futuro Skills' training activities have capacity well beyond the Construction Skills Internship Programme (CSIP) itself, that they are sustainable and are aligned to the expectations of the LNG construction industry.

The program is scheduled to start in May 2020, enrolling graduates of the Catalisa Programme and other work readiness programmes funded by the LNG project operators, and delivered at RBR's new training centre in Palma. The CSIP will lead to the successful graduates earning internationally-accredited qualifications from the UK's Engineering Construction Industry Training Board (ECITB), or equivalent, in health and safety and a technical trade at the semi-skilled level (Level 2).

The CSIP includes a mix of theoretical and practical training, as well as relevant work-experience. The program will also see RBR establish a significant pool of semi-skilled local workers, sourced from the immediate stakeholder communities of these massive LNG Projects, who can be placed with prospective employers and demonstrate to industry that Mozambique can offer a genuine alternative to expatriate workers in the semi-skilled technical trades.

Background to RBR and the LNG Construction Industry in Mozambique

The multi-national petroleum companies behind Mozambique's emerging LNG industry are preparing to award 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 developed an enviable reputation for the quality of the services it delivers via its three local subsidiaries and counts several top-tier companies in Mozambique among its clientele.

The majority of RBR's existing revenues stem from clients with no relation to the LNG industry – this "general industry" market will continue to be developed by the Company while pursuing the significant growth opportunities offered by the LNG projects during construction. During the quarter RBR has registered five new companies for clients, assisted with the importation of capital equipment from the Middle East, processed multiple visas, work permits and business licenses, and secured a new high-growth client for its payroll services.

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RBR is the only ASX-listed junior company with an exposure to the LNG construction opportunity. With a market capitalisation of just \$5.5 million (at 0.7c 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, nor does it completely depend on securing work associated with the LNG projects themselves. The primary target clients are the numerous sub-contractors which will in turn be contracted to the LNG projects across a range of sectors such as construction, security, logistics, maritime and others.

However, the one thing that every company in the region has in common is the need for competent people/employees. These people must be identified, trained for the role they will fill (with health & safety training being common to all) 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 solution.

Outlook

During the quarter, RBR continued to hold 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 across several sectors 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 in the near-term, aligned to the timing of the target clients securing their contracts.

To date, the impact of COVID-19 on RBR's business in Mozambique has been mild, primarily in the form of reduced business services (as a result of the suspension of government activity in related departments), offset by growth in HR services clients, and a delay in the commencement of the JOBA contract while movement of people and equipment is restricted. RBR is working on resuming activities in Palma, including the JOBA Construction Skills Internship Programme, during May.

The northern region of Mozambique generally within a few hundred kilometres of the LNG projects, continues to suffer sporadic incidents of unrest typically occurring in remote and vulnerable villages. The Mozambique government is addressing this through the deployment of its security forces, whilst consulting extensively with major industries such as the LNG developers and port operators. While generally following the lead of these major stakeholders, RBR is also proactively managing its security exposure through a combination of daily regional stakeholder/industry security briefings, a comprehensive risk management framework, and a conservative approach to any potential threats to staff, students or assets.

Total S.A., the lead developer of the 12.88Mtpa onshore Mozambique LNG project, remains committed to an unchanged project schedule and first gas in 2024. Its engineering, procurement and construction (EPC) contractor is continuing with tender and procurement processes consistent with this timeframe. The temporary delays caused by COVID-19 will result in a compression of the project timetable and, likely, increased demand for RBR's services.

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COVID-19

RBR advises that as a training and labour hire company, people are its key asset and therefore the health, safety and wellbeing of its staff, students and contractors is its number one priority. In line with this, RBR and its subsidiaries are implementing the requirements and recommendations of the Mozambican and Australian authorities in respect to managing the COVID-19 issue.

Mozambique responded to the threat of COVID-19 mid-March with the closure of all schools, the implementation of some travel restrictions, limitations on group interactions (maximum of 10 people) and suspending all non-essential government activities until June 2020. The borders have also been closed temporarily. As of 29 April, the official figure for confirmed cases in Mozambique stood at 64 active infections, 12 recovered and no deaths. However, the number will certainly grow as the government implements its plans to increase testing, likely in a targeted fashion.

Significant numbers of expatriate and Mozambican workers remain in the established camps in the Palma region and are subject to isolation and ongoing testing regimes. Notwithstanding these appropriate actions, RBR's continues preparations to have the Wentworth Camp fit for purpose to allow it to commence the JOBA programme.

Cost Management

It is noted that there has been an unprecedented change in the state of affairs in Australia and the world given the recent COVID-19 pandemic. In line with many companies around Australia and the world, the Board has agreed to suspend the payment of 20% of Executive Directors' salaries and consulting fees, and all Non-Executive Directors' fees effective from 30 April 2020.

RBR is investing in the people and assets required to effectively execute its new contracts in northern Mozambique, grow capacity and build sustainable revenues. Therefore, the Company is looking to cut costs in other areas, where appropriate.

Capital and Future Funding

As at quarter end, the Company had cash balances of ~\$93,000.

Whilst the anticipated contract revenues from the JOBA programme provide a significant impetus to RBR's capabilities in northern Mozambique, the Company must maintain its working capital position to fund what it believes will be solid growth over the balance of the year.

Accordingly, management have commenced discussions with high net worth and sophisticated investors who are both aware of the potential in Mozambique LNG and RBR's position and strategy. These discussions are well-advanced, and the Company anticipates it will be able to make an appropriate announcement in the coming days.

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