

6 September 2017

Business Update – September 2017

- **MoU signed with Subtech Group to establish maritime skills JV**
- **Futuro Skills Mozambique facilities upgraded to meet demand**
- **Construction training begins under Swisscontact contract**
- **Acquisition of additional 40% of PacMoz labour broking business**
- **Oil and gas services firm GeoTeam Group secured as new client**

Labour solutions provider RBR Group Limited (ASX: RBR) (“RBR”, “the Company”) is pleased to provide an update on its business operations in Mozambique, where major resources projects are expected to drive a substantial increase in demand for labour, training and vocational education services over coming years, and Australia.

Mozambique

In early June 2017, Italian company Eni approved the development of its US\$8 billion Coral South floating LNG project in Mozambique’s Rovuma Basin, while Anadarko is expected to make a final investment decision on its US\$24 billion AMA1 LNG project, also in the Rovuma Basin, in coming months. These two projects alone are estimated to require up to **50,000 skilled workers**, with the Mozambican government imposing strict requirements on local training and employment.

Maritime Industry Opportunities – Subtech

Through its in-country training subsidiary, Futuro Skills Mozambique, Lda (“FSM”), RBR has entered into a Memorandum of Understanding with South African-based Subtech Group to establish a Mozambican joint venture specialising in maritime skills training and subsequent recruitment and labour broking of Mozambican maritime workers. FSM will hold a 60% stake in the new entity, to be named Futuro Maritimo Mozambique, Lda (“FMM”), with Subtech’s Mozambican subsidiary owning 40%.

FSM will support the venture in its maritime training activities, and RBR’s PacMoz subsidiary, which holds a Mozambican labour broking licence, will manage the labour broking activities for FMM. Subtech, as an established maritime services provider with a strong reputation in southern Africa, will source maritime workers through FMM, as well as identify placement opportunities with other maritime services companies. The incorporation of FMM, currently underway, is the first and most important step in progressing the MoU into a formal agreement.

Mozambique has few maritime workers qualified to international maritime standards, which will be the expected minimum entry level for mariners employed under contracts linked to the LNG projects. RBR and Subtech estimate that demand for suitably qualified Mozambican mariners will **exceed 1,000 workers** during the 2018 calendar year, equating to a payroll of about **\$2 million per month**, with the potential to grow substantially if other employers follow suit and demand employees hold qualifications to the same international standard. RBR and Subtech aim to secure a significant share of the Mozambican maritime training and staffing market, given our capabilities and the current lack of competition in the country.

RBR GROUP LIMITED

ASX: RBR ABN 38 115 857 988
Level 2, 33 Colin Street, West Perth, WA 6005
PO Box 534, West Perth, WA 6872
T: +61 8 9214 7500 F: +61 8 9214 7575

www.rbrgroup.com.au

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Futuro Skills Mozambique

FSM continues to grow its client base, add to its demand-driven training portfolio, and expand and upgrade its training facility in Matola, near the capital Maputo. A completely new training centre, comprising three large, modern and well-appointed classrooms able to cater for more than 60 students, as well as ablutions and a first aid room, has been built entirely by FSM construction students on an unused portion of the site. The students also built a large concrete pad for use in scaffolding, working at heights and forklift training. These additions complement the existing warehouse facility which comprises nine spacious and modern welding bays, a confined space entry training area, a large canteen and kitchen, equipment storage, ablutions, change rooms and office facilities.



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Swisscontact Training

In August 2017, FSM delivered the first construction-related training program under its contract with Swisscontact, an organisation focused on promoting sustainable economic development in developing countries. Swisscontact has an association with the Mozambican Federation of Contractors (FME), and engaged FSM to train employees nominated by FME member companies. The initial masonry program was a resounding success, according to feedback from Swisscontact, FME and the students. The next program, covering plumbing skills, starts in September.

Below: The proud graduates of the first Swisscontact training program



In addition to FSM's business development efforts, the number of genuine unsolicited enquiries is growing rapidly, with several prospective leads being developed.

FSM is working with a developer on an innovative database product that is expected to provide a competitive advantage in Mozambique in efficiently, effectively and securely managing student records and qualifications. This database will also support the group's labour broking activities.

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Labour Broking in Mozambique

RBR believes the development of the on-shore LNG projects in Mozambique will create employment opportunities collectively worth more than **\$1 billion per year** in salaries. Current legislation dictates that the vast majority of the workers must be Mozambican nationals, creating a huge opportunity for companies capable of managing a local workforce. RBR is well placed to capitalise on this local content opportunity, and is continuing negotiations with a leading international labour broker of skilled expatriates on a mutually-beneficial partnership in Mozambique.

With the Subtech MoU including a labour broking component, the scope of this opportunity is being adjusted to avoid any potential conflicts. The focus is now on establishing an arrangement whereby the parties support each other in sectors other than maritime. The value that RBR brings to this potential agreement is its ability to create the “product”, that is, to identify, recruit and medically screen local unskilled people, and train them in the skills they need to become valuable employees under a labour broking model. RBR’s capabilities in Mozambique are a significant differentiator – other labour brokers focus on recruiting “work-ready” candidates, who are in limited supply, without the capability of developing their own workforce.

PacMoz

RBR has acquired the 40% minority stake in its Mozambican labour broking subsidiary PacMoz from PacMoz director and general manager Ms Hanlie Lloyd for a nominal sum of \$1. As part of the reorganisation, the Company has agreed to allot 5 million ordinary RBR shares to Ms Lloyd, 12 months post the sale date, subject to successful performance of Ms Lloyd in achieving agreed working capital outcomes (debtor collection and creditor settlement) and the extinguishment or assignment of all known liabilities. This transaction gives RBR full ownership of the business which holds the labour broking licence in Mozambique, considered a core activity in RBR’s strategy and key value driver in the future.

GeoTeam Group

PacMoz has secured oil and gas services firm GeoTeam Group, a key contractor providing nearshore environmental baseline surveys to Eni on the Coral South FLNG Project, as a client. From initially registering a local company on GeoTeam’s behalf, the scope of services has expanded to include human resources support and secretarial services. RBR looks forward to a long and fruitful relationship with GeoTeam in Mozambique.

Futuro Skills – Australia

The contract with Veolia Environmental Services (“Veolia”), under which Futuro Skills is providing a range of training consultancy and workforce development services to Veolia’s West Australian businesses, has reached the end of the first phase. Futuro Skills has completed the mapping of Veolia staff roles to Australian competencies and assisted Veolia in enrolling eligible staff in traineeships. As a result, Veolia has given Futuro Skills notice under the contract, but committed to continue utilising the majority of the current contract’s services until early 2018 while they consider their future requirements.

The contract with UGL Limited, a subsidiary of CIMIC Group, under which Futuro Skills provides training and verification of competency assessment services to contract staff, is gaining momentum in line with the growth of UGL’s maintenance services contracts.

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Media and Investors

Richard Carcenac
RBR Group Limited
Chief Executive Officer
+61 8 9214 7500

Luke Forrestal
Media + Capital Partners
Account Director – Resources and Energy
+61 411 479 144

ABOUT RBR GROUP: Perth-based RBR Group is a leading provider of holistic labour solutions to the resources and construction sectors globally. Through its subsidiaries, RBR has the capacity to deliver a range of services including labour broking, international standard training, permitting and visa coordination, pre-employment medicals, occupational health monitoring, injury management and on-site medical support. RBR is one of only a handful of companies that holds a labour broking licence in Mozambique, positioning it strongly to assist in meeting the substantial training and resourcing needs of the country's burgeoning liquefied natural gas industry. The company is also seeking to expand its presence in other emerging markets with strict local content laws and generally low levels of education and training and owns a registered training organisation in Australia.

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