

### Oilfield Workforce Group Ltd

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19 December 2013

Dear Shareholders,

As the financial year draws to a close, I would like to take this opportunity to provide background to Oilfield Workforce Group's (OFW) performance this year and outline details of the Group's prospects going forward.

While my team and I continue to maintain a long-term positive outlook for the Group, the overall operating environment in the oil & gas sector proved challenging in 2013. In the face of highly volatile and rapidly shifting market conditions, our expectations for a strong showing this year dissipated, affecting the momentum of our growth trajectory.

### An operationally-challenging period

For the six months ended 30 June 2013 (1H13), we reported revenue and net loss of US\$5.32 m and US\$0.61 m, respectively, which were 43.7% and 160.5% lower than the corresponding period last year. The reasons contributing to the weakness in 2013 can primarily be attributed to the collective impact of client-side delays in what was expected to be a key contributing project in 2013, as well as unfavourable movements in the AUD against the USD, our reporting currency.

Over the past year, the industry continued to see delays across the oil and gas complex, from final investment decisions to project awards and commencement. Commensurate with the wider industry landscape, one of the Group's new contract wins this year was delayed by approximately 12 months. The GE Oil and Gas' Julimar Development Project in Western Australia, which was expected to be a key earnings contributor in 2013, was delayed due to engineering modification and material delivery issues.

In the first half of 2013 (1H13), we saw the exchange rate for AUD to USD move from 1 AUD to 1.04 USD at the start of the year to 1 AUD to 0.91 USD at the end of the reporting period, giving rise to a US\$0.5m negative impact to our bottom line in 1H13. Although this was a translational loss resulting from our AUD-denominated IPO proceeds held as cash, the loss was material to our profit and loss statement and reversed what would have been a profit in 1H13.

In addition to the project delay and adverse foreign exchange movements, we also saw the completion of several key client projects in 2012, which contributed to a drop in revenue for 2013.

The confluence of harsh industry and macroeconomic trends this year made 2013 the most challenging year for the Group since its inception. While we have not been able to report strong financial numbers, we have been mindful in making the best use of our time in 2013 to turn it into a key year for foundation-laying. To that end, we are happy to convey that we are making meaningful headway in expanding the breadth of our customer and revenue bases.



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# 2013: A foundation-laying year

In addition to securing GE Oil and Gas' Julimar Development Project and Sapura Clough's Normand Clough Project, we have also been brought on board to look after the manpower sourcing needs of Wison Offshore and Marine as well as Daya Offshore Construction. These new client wins take the form of exclusive agreements where we will be the sole personnel placement agents for all of the respective principals' projects.

Capturing more opportunities and building our client base are top priorities for the Group, and my team and I have embarked on expanding our geographical presence, complementing our efforts in existing geographies.

In the pipeline is the opening of a new sales offices in Brazil, which will allow us to tap the burgeoning South American market. We are currently in the midst of identifying suitable personnel to run the outfit and will inform shareholders of any headway in that area.

### 2014 to be buoyed by delayed and new projects

While the first quarter is traditionally a weaker period for the industry, we expect a pick-up in activity from the second quarter of 2014 to be driven by the resumption of the Julimar Development Project as more personnel are required to be mobilised on-site.

Looking ahead, the oilfield services sector is beginning to gain positive traction and we expect the Group to be able to benefit from this upward trend. We believe we are poised to benefit from a wave of demand growth that could be driven by a mix of small, medium and large projects, together with a mix of new and delayed work. Barring unforeseen circumstances, we anticipate the beginnings of a recovery in 2014.

I would like to extend, on behalf of the company, my gratitude to those who have pledged their commitment and unwavering support to the Group. I hope this letter addresses any questions or concerns that you may have had. If you have any feedback, please email us at <a href="mailto:enquiry@oilfield-workforce.com">enquiry@oilfield-workforce.com</a>. We would be happy to hear from you. As we work together to deliver improved returns for our shareholders, I look forward to keeping you up-to-date of our company's activities and developments on a regular basis.

Yours sincerely,

Clarence Choo Chairman



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# **About Oilfield Workforce Group Limited**

Oilfield Workforce Group Limited (ASX: OFW), headquartered in Singapore and listed on the Australian Stock Exchange, is an international turnkey manpower solutions company that specialises in the oil and gas industry. The Group's operational reach extends to Australia, Brazil, China, Hong Kong, Indonesia, Ivory Coast, Malaysia, Singapore and Thailand. The Group's professional staffing services provide customers with turnkey solutions and its expertise covers all stages of the project cycle, from exploration to maintenance, across multiple disciplines, from project management, project engineering, design engineering, contract, cost, planning, construction commission, third party inspection and operations. For more information, please visit the website at <a href="https://www.oilfield-workforce.com">www.oilfield-workforce.com</a>.