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**21 February 2013**

**ASX RELEASE**

**Release of Appendix 4D and Half Year Review**

The Directors of Site Group International Limited ("Site" ASX:SIT) are pleased to announce release of the Appendix 4D and financial accounts for the period ended 31 December 2012. In addition we attach the Half Year Review of Operations.

Andrew Bursill  
**Company Secretary**

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# Half Year Review

31 December 2012

**SITEGROUP**  
International



**Vern Wills**

**CEO & Managing Director**

## CEO's Review

As outlined in the September quarterly report, the outlook for training growth remains extremely strong with training revenue increasing 34% for the December quarter over the prior period.

The first half performance was broadly in line with expectations with total revenue for the half year to 31 December of \$6.3m. Site Group has outlined previously its market acceptance by a broad range of customers for its Australian and International training services, as well as its Site WorkReady business.

Our facilities maintained a solid increase in inquiries which led to bookings growth and the strong quarterly increase in training revenues. Additionally, online retail bookings and enquiries are commencing following the recent upgrade of our online marketing presence. Initial results indicate an encouraging growth in online activity and we see this as a significant source of business generation.

Notably, there is a strong repeat business characteristic from the major contractors who have selected Site Skills Training leading to preferred

supplier status in a number of cases.

Site WorkReady was adversely impacted in the December quarter largely as a result of the global collapse in commodity prices. Management remains confident of a positive recovery in this half year.

Overall the Board and I are very confident in the management team, the overall marketing strategy and the demand for Site's service offering. The pace of the revenue growth during the next half year and the margin over its fixed costs will determine the timing of achieving profitability. Based on our experience in the first half our expectations are that, whilst the full year revenue figures may be in the lower end of our initial estimates, we are still on track to reaching monthly profitability by the end of the financial year.

The expansion of revenue growth from our four facilities located in Australia is expected to continue. The demand for high risk training and competency assessment continues as projects enter the construction phase – this is especially the case in Gladstone and Darwin where the LNG projects



(L-R,B-F): Jamie Wills, David Brenton, Ismail Tahir, Tony Feagan, Blake Wills, Shane O'Sullivan, John Rodgers, Jeremy Gittens, Chris Gittens, Brett McPhee, Shaun Scott, Vern Wills, Darryl Somerville, Graham Yerbury, Katie Hurse

## Strategy Workshop



Senior Management Group at Strategy Workshop

In December 2012 the Board and senior leadership team of Site assembled at our Clark facility in the Philippines for a three day strategy workshop.

This meeting was an opportunity for the participants to complete a detailed assessment of the markets that we operate in or intend to enter as well as identifying the core resources and activities that the Site Group will need to pursue to meet our target of profitable sustainable growth.

Each of the General Managers of the three business units: Site Skills Training, Site WorkReady and Site Skills Training – Clark led detailed analysis and discussions about the opportunities for growth and the strategies that will deliver profitable outcomes for the group. The group identified significant opportunities for cross selling of services – especially with multi-national clients of the group.

The results of the strategy session will be used to inform the financial and operational plans for the 2014 through 2018 financial years. This planning will be in support of the agreed vision for the Site Group:

**“...to deliver quality industry skills training and workforce solutions to the world through a responsive, dynamic and innovative team.”**

are gaining momentum. Our national presence is resulting in the referral of training services from larger clients to other locations in Australia, This stems from our expanding relationships with existing clients and exposure to new clients in the course of delivery to larger projects. We are also seeing increased brand awareness as our investment in both conventional and online marketing activity bears fruit.

The recent acquisition of the Axis Training Group has greatly increased our presence in the on-site training and assessment field. Large projects operating in remote areas both in Australia and Overseas see significant advantage in being able to deliver fully accredited training at their own locations. Much of the increase in this activity is occurring from Perth and Darwin however we are leveraging this model to provide similar services to clients in the Bowen Basin using our Gladstone facility as the base. In the same way we are increasing our reach from the Philippines sending trainers and assessors to the Middle East, Africa, Central Asia and Indonesia. We see this becoming a substantial part of our business.

The success of our training delivery contract at Clark with the Shell operated Malampaya Project is continuing to serve as a great reference to other multi-national corporations looking for similar services. We are starting to deliver facility based training to a number of Philippines based multi-nationals and we expect that we will secure training for their Asia affiliates.

Late in 2012 we announced an assessment agreement with Victoria University to deliver competency assessment services at Clark. After establishing systems and processes we are now providing those services. Importantly this agreement has gained Site an introduction to similar service providers for Canada and UAE looking to establish an Asian presence.

Site will continue to inform the market of its growth in business, revenues and profitability via our existing quarterly reporting strategy incorporating direct contributions from the managers of the various divisions as well as regular market updates as appropriate.



Vernon Wills  
Chief Executive Officer & Managing Director



## Graham Yerbury

Chief Financial Officer (outgoing)

### Systems, Infrastructure and Investment

Working capital management has been a principal focus in the past quarter with a concerted effort to reduce the debtor balance as we headed into the end of year. This resulted in a significant reduction of debtors and improved cash flow.

Following the approval of the issue of the SPP shortfall shares at the AGM in October it was determined to pay down the advance from Wayburn Pty Ltd by \$1,000,000. The facility allows for the repayment and redrawing as the needs of the business dictate.

Wayburn Pty Ltd also subscribed for \$600,000 of shares in the SPP shortfall placement supporting a further reduction in the facility balance.

At 31 December 2012 the undrawn balance of the facility was \$1.6 million. This combined with the \$932,000 in cash on hand provides cash reserves of \$2.5 million sufficient to meet our short to medium term requirements.

The completion of the Darwin facility and conclusion of the required capital works at the Clark facility in readiness for the delivery of training under the Malampaya contract signals the completion of the capital expenditure programs detailed at the commencement of the expansion phase last financial year.

Capital expenditure requirements will now be limited to the acquisition of training aids and minor facility upgrades required to meet course or regulatory requirements.

During the quarter Site Group finalised the acquisition of Axis Training Group Pty Ltd (Axis).

As noted in the half year financials the acquisition has been earnings accretive contributing net profit of \$251,000 in the period 1 July 2012 to 31 December 2012.

The business performed strongly in the time from contract execution to completion. This resulted in an increase in cash and working capital at completion.

Under the terms of the agreement additional shares were issued to the vendor valued at \$22,626, resulting in total consideration of \$242,626 for the Axis acquisition.

Integration of the business has proceeded smoothly with domestic business activity being moved into our Western Australian training business Site Skills Academy Pty Ltd. The international business activity moved into Site Group Holdings Pty Ltd in the Philippines - all employees of Axis have transferred to Site Group and have integrated well into the Site Group team.

On a personal note I leave Site Group at the end of February and hand the reins of the CFO role to Craig Dawson.

Craig is very well qualified to lead the finance team as Site continues its journey from start up to profitable operations.



## Craig Dawson

Chief Financial Officer (incoming)

### First Impressions Count

Since starting with the group in early February and even prior to my start date, I have been fortunate to visit all the facilities in Australia and in the Philippines. I have been very impressed by both the facilities and the people in charge at the various locations.

The immense size and capability of the Clark campus needs to be seen to fully understand the benefits and potential it offers the group. The ability to implement training and assessment on a large scale in a cost effective manner provides an ever increasing list of clients complete solutions to their training requirements.

In addition the Australian facilities, strategically located in hubs for major resource projects, provides the group the benefit of a national network of high quality training facilities capable of delivery to region where the demand for industry skills training is at its highest.

I am confident that we have a focused and dedicated team who can drive the business forward and deliver on the group's strategic plan.

While there are many challenges with a company undergoing a rapid growth profile, there are also numerous opportunities which make it a very exciting time for me to be joining the Group.

I am also fortunate to have had an extended hand over period with Graham Yerbury which has greatly assisted my transition into the role. Graham has established a stable and high performing team with a solid financial and management reporting base through key system improvements implemented over the last year.

I am looking forward to being a part of the journey as Site Group realises its potential in the coming years.

### Craig's Background

Craig brings extensive financial management experience gained in ASX listed entities with both local and international operations in a variety of industries including media, financial services, gaming and wagering and most recently in the rapidly growing online sector.

Most notably, Craig was CFO of Wotif.com for over 4 years as the group experienced rapid earnings growth, greatly extended its geographical reach and expanded its brands and products through both organic and acquisition growth. Prior to that, Craig was Queensland General Manager – Corporate Services at Tatts Group Limited heading up the finance and administration divisions of Tatts Queensland operations.

Craig's experience in high growth companies is ideal for Site given the rapid expansion our business both in Australia and overseas.



**Shane O'Sullivan**

**General Manager Major Projects & Implementation**

## Corporate HSE Management System for Site Skills Training

The rapid growth of Site Skills Training into three Australian states and territories and the development of operations in the Philippines in 2012 has necessitated the adoption of a comprehensive Health Safety and Environmental (HSE) management system.

Whilst Australia is still without nationally harmonised HSE legislation and the Philippines is a developing environment, Site Skills Training has undertaken a commitment to ensure that we operate to the highest practical standards across the company.

Site Skills Training's objective is not just to have a compliant system but to enhance our safety culture, based on the adage that "Safety is what we do when no one else is watching"

In September 2012 a project was initiated to develop a corporate HSE management system to meet Site's requirements and a consultancy contract was awarded to a recognised Australian group.



The contractor as the lead HSE audit provider to several of the major resource mining companies determined that it was well placed to assist Site with the development of a system conforming to both the requirements of our major industry clients and the relevant legislative jurisdictions.

An extensive period of briefings between the companies ensured that the outcome would satisfy Site's objectives whilst also ensuring that the solution was manageable for our already busy operational staff.



Health, Safety and Environment conditions observed within the Malampaya HSE Training Centre at Site Skills Training Clark Freeport Zone

## Western Australian Mining Academy



Muresk campus and land in Northam, Western Australia

With the signing of an MOU with partners Ausdrill and the W.A State Government, Western Australian mining Academy (WAMA) is very much on the agenda for Site for 2013. The MOU marks a way forward for the shared use of the Muresk Institute facilities.

Current activities for WAMA include the commencement of applications for usage in line with a live mining operation and the development of a scope of training services to be delivered. The focus for Site is broad consultation with all relevant industries to ensure a clear understanding of their training requirements with a vision to graduate work ready trainees capable of deploying into a variety of mining operations and construction skills.

It is envisaged that the scope of training will cover all the major phases of the on-site process from drilling and blasting to loading and hauling. Additional subject areas to be covered include relevant operational HSE training, Mine Operation fundamentals and training in the use of 4WD's in the mining environment. Initial planning has been undertaken to involve the use of hi tech plant simulators for the preliminary stages of most operator training, providing instructional staff with the ability to introduce trainees to new machines safely before going live in a real vehicle.

Additionally there will be significant focus on the demands for the construction industry for an able and ready workforce.

An invitation has been extended to all of the major mining and contracting companies to attend a WAMA familiarisation and briefing day at Muresk on 14 March.

The draft HSE management system was received in December 2012 and underwent a review to ensure suitability for all Site Skills Training operations.

Considering that Site not only delivers High risk training to our Australian and international clients, but also operates a fully residential training facility for up to 1,000 students in the Philippines, the required procedures are necessarily comprehensive.

**“Site Skills Training’s objective is not just to have a compliant system but to enhance our safety culture, based on the adage that Safety is what we do when no one else is watching”**

To assist with the effective implementation of the HSE management system across the company a staged deployment plan was developed.

This will initially involve the conduct of on-site workshops at each of the training centres specifically designed to ensure that our Operational managers fully understand the intent and content of the system.

The workshops are scheduled to be completed by the end of February 2013 with full implementation and compliance planned for June.





**Brett McPhee**

**General Manager Site WorkReady**

## Skies Clearing after Stormy Recruitment Market in Q2

The quarter ended Dec 2012 has seen a downturn in the overseas recruitment market, specifically in the mining industry, caused by a decrease in commodity prices and subsequent uncertainty in the market.

The disappointing 2nd quarter should be largely offset by an expected recovery in the volume of recruitments expected, particularly in the fourth quarter.

New orders for the quarter have commenced strongly following selections attended by several clients held in Manila. There is improved sentiment from the IT, engineering and construction and heavy equipment industries for jurisdictions including PNG, Australia and Africa.

Site WorkReady is exploring new markets which are expected to result in future demand including Canada.

The management of Site WorkReady believes the appetite for international recruitment has improved for third quarter and fourth quarter of

this financial year.

The advantage of the Clark facility is profound whereby significant benefit can be passed on to clients through the High risk and trade training we can offer.

This additional offering has seen an improved uptake in the past quarter and it is expected to be a growth avenue for Site. During February we conducted our first fabrication assessment through Victoria University at the Clark Assessment facility.

These have proven to be successful although the process of assessment was considerably different to what we have been used to. We are looking forward to working with Victoria University moving forward.

Placing overseas tradesman into the Australian workforce not only benefits employers but there is a significant flow on to the Philippines economy. Latest statistics (2011) state that \$20 Billion (USD) flows back into the Philippines economy from Filipino's deployed internationally.

### Word at the 'Coal Face'

Blisster Bayaca who has recently been employed by a major engineering and construction company through Site WorkReady on a north-west shelf project has already been sending large amounts of his net pay back to his family and extended family. This has allowed his family to improve their standard of living significantly as well as improve the education of their children.

Blisster who has already worked in Australia during 2008 says that Australia is the location all overseas workers dream about going to. We have an employer that really looks after us.

*"The lifestyle, the working conditions are second to none. Camp lifestyle is difficult at times but conditions are great. Filipino's love their sport and there is plenty of opportunity to play most games after work hours and relax."*



**Chris Gittens**

**General Manager International Training**

## Continuing Growth for International Training

The first half year of operations has steadily gained momentum with the Shell Malampaya Training Contract continuing to ramp up and considerable growth in on-site training delivery. We secured new training projects with a number of major clients including AMEC Services Philippines, PT Prasmanindo Boga Utama (Compass Group's Indonesian business), and Cape East Philippines.

First Half Year Highlights for International training include:

- » Ramp up of training under the Shell Malampaya Training Contract
- » Delivery of pilot course in Cookery and Camp Services to PBU (Compass Group)
- » Expansion of on-site training delivery to new regions – Singapore, Papua New Guinea, United Arab Emirates, Indonesia, China, and Azerbaijan
- » Development of new projects and opportunities in the Middle East
- » Approval as a Training Provider for Granite International Services (GE Affiliate)
- » Agreement with Victoria University to jointly provide training and assessment services at Clark.

The first eight week pilot course in cookery and camp services was delivered to PBU during the last quarter with the program gaining considerable interest from the wider Compass Group. The program was aimed at up skilling personnel from existing operations in Indonesia with candidates coming from Offshore Platforms in the Natuna Sea through to coalmining operations in East Kalimantan.

Our on-site presence in Baku, Azerbaijan continued with a trainer delivering rigging and scaffolding courses to McDermott Caspian Contractors. We also provided on-site training to new clients in Papua New Guinea, Indonesia, China, and Singapore.

Enquiries from the Middle East prompted a business development trip to the region in December with a number of clients interested in the services offered by Site Group International. This included meetings with a major international client for potential work in Iraq. If successful we expect to receive a 12 month commitment to provide construction safety expertise and training in country. Whilst Iraq is still troubled, the country is rapidly stabilizing and the opportunities for outside expertise and training are significant.

We are also looking to establish representation in the Middle East (Dubai) to capture further opportunities for on-site training in this region. There continues to be high demand for specialist training with major refining, oil and gas projects developing and expanding.

Another significant development during the last quarter was gaining supplier pre-qualification approval from Granite International Services. Granite is a wholly owned affiliate of GE (General Electric) that provides project management and personnel to GE projects around the world. This includes a significant transfer of personnel to



Malampaya HSE Training Centre at the Site Skills Training Clark Freeport Zone facility

## International Training



Site Skills Trainer Ross Prebble is originally from Aberdeen, Scotland, however when not training in the Middle East he calls Perth home.

Ross has worked in the Oil & Gas industry for over 30 years with extensive experience in Rigging and Scaffolding. This includes working on projects and operations in the North Sea, SE Asia, Middle East and the North West Shelf.

Ross has been working for SST in Baku, Azerbaijan providing various training programs for McDermott Caspian Contractors. His day to day life has included hopping from construction yard to construction barge delivering on-site training.

The Caspian is a major Oil and Gas region with production facilities supplying gas to Europe via the South Caucasus pipeline and distributing oil from the Sangachal terminal located south of the Azerbaijan Capital, Baku. BP are one of the major players in the region who are developing the Shah Deniz field. The project is progressing through numerous phases with six offshore production facilities now operational.

To date capital expenditure has exceeded US\$34B in the development and construction of production, storage, and pipeline facilities in the region.

Australian based projects into GE Power & Energy, GE Oil & Gas, and GE Mining. The first training with Granite commenced at Clark in January 2013 with a training flow through also expected at our Australian based training centres.

The agreement with Victoria University (VU) was another highlight and a significant enhancement to our capability and offering to clients. Through this agreement SGI and VU will jointly provide training and assessment services at our facility in Clark. VU is authorized by Trades Recognition Australia to conduct skills assessments for persons seeking either temporary 457 Visas or permanent migration to Australia.

The level of activity in facility upgrade and improvements dropped off in the last quarter as all major renovation work is now substantially complete. Some minor projects were completed such as the 'Errol Flynn Cinemas' which consists of 2 x 36 seat cinemas for after hour's entertainment for candidates. We also commenced some refitting of existing buildings to create additional 'hotel style' accommodation on campus. This is intended to accommodate our FIFO trainers and also an option for supervisor/management level candidates under training.



There has also been considerable focus on developing systems and processes for candidate management. As a residential campus we need to ensure the entire process of inducting, accommodating, feeding, and delivering training to our candidates is executed with professionalism and efficiency. We have made significant progress in this area and I can say with confidence that we are now a 'well-oiled machine' with the ability to manage large-scale training projects.

The last quarter and first half has been a transition from a building to delivery phase and as we move into the New Year the focus is on growing candidate numbers and revenue. 2013 is set to be a busy year and I am confident we are on the right course for expansion and growth.



## Blake Wills

### General Manager Corporate & Operations

## Growth of Domestic Operations

Site Skills Training has completed our first half of operation with three newly established facilities, all of which are in operation.

The Perth, Darwin and Gladstone facilities have achieved market acceptance by accommodating increasing volumes of training and assessment delivered to retail and corporate clients. This capability will be reinforced by an expected increase in volume from February 2013 onwards.

The resulting synergies of our national strategy are being experienced through the delivery of training to tier 1 and 2 contractors who require a provider with the capability to be responsive, flexible and dynamic across jurisdictions. Site is quickly emerging as a leader in the fragmented training market in which we compete.

Training revenue in Australia for the half was \$3.2m which represents an increase of around 160% over the six months to June 30. Site's pathway to profitability is simple in concept with two key factors:

- » An increase in revenue
- » Operating expenses are expected to reduce on a pro-rata basis; reflecting the spread of fixed cost over an expected increased revenues.

The management of Site are confident that profitability will be achieved in line with original guidance. Site has achieved the following operational objectives in the December 31 half:

- » Strategic action plan defining key targets and objectives for the half resulting from strategy workshop held with board and key management personnel in December.
- » Purposeful infrastructure and human capital providing capacity for growth
- » A highly competent management team
- » An increasingly recognised brand identity
- » Well-developed website providing clients capability to discover and explore the Site Skills Training offering
- » An operating track record which provides additional credibility
- » Consistency in the operational management of the company
- » OHS legislation imposing significant training requirements upon companies

In the first quarter update it was noted Site has been able to enhance our market position as a result of "high quality facilities, a broad range of training capability and flexibility."

Pleasingly, this strategy continues to deliver results for our business and has recently been exemplified in our company vision.



The Site Skills Training Winnellie (Darwin) facility

## Axis Training

The Axis Training Group Pty Ltd (Axis) was acquired on the 1st July 2012 followed by a metered assimilation over the first half of FY 2013. Axis has been fully integrated with Site Skills Training with our brand being phased out and resources, finance and IP consolidated. Axis, primarily provided on-site training services to several large clients in Western Australia, Northern Territory and Internationally. These included:

- » Cape
- » OMSA
- » Mineral Resources
- » Karara Mining
- » Cimeco
- » Consistency in the operational management of the company
- » McDermotts
- » Several other tier 1&2 contractors

All clients have successfully migrated to Site Skills Training, continuing the excellent service and relationships that Axis championed. The increases in revenue of the Belmont (Perth), Winnellie (Darwin) and Clark facilities have been largely attributable to acquiring Axis with our expertise, staff and client relationships.

With the high demand for skilled workers for Australia's current and future resources and construction projects, the acquisition of Axis coupled with Site Skills Training's exceptional training facilities has allowed for rapid entry into the market and subsequent dramatic growth.

Axis's appetite for growth and customer service in key markets has contributed considerably to the culture of Site Skills Training and will be a key driver of our operations.

**“Our vision for Site Group International is to deliver quality industry skills training and workforce solutions to the world through a responsive, dynamic and innovative team”**

The local markets in which each of our facilities operate have significant industry skills training requirements. Currently Site occupies a very small market share in each location.

Site is embarking on a significant brand awareness campaign to expand our identity in the market. A significant portion of Site's target market includes customers reacting to Occupational Health and Safety obligations or legislative requirements. The resulting decision making process renders brand awareness imperative.



Branding at the Site Skills Training Belmont (Perth) facility

The second half of Financial Year 2013 is an instrumental period for the establishment of Site Skills Training as it continues to ramp up and gain market share.

As a management team, we are confident that we have the right locations, facilities, personnel and strategies in place to continue our march towards profitability.



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