

Contents

- Operational Excellence
- Business Growth
- Partnerships
- Our People and Culture
- Vital in the Community



Coconut For Life Groundbreaking

On Wednesday, October 18th, 2017, the Vital Group officially launched its much anticipated Coconut For Life (C4L) Project with a Groundbreaking Ceremony at Ichimanton, Tonoas in Chuuk. Representatives from the Company, the Chuuk Terminal, Balance Services Group, the national government as well as delegations from all four of the Federated States of Micronesia made the early morning trip to the island, and were greeted with maramar, fresh coconuts and singing and dancing by the Etten Youth Group.

Continued on Pg 3

All Improvements Worked Out (AIWO) Project

In July 2015, Vital Energy Incorporated (VEI) secured a Supply and Terminal Operating Agreement (SATO) with the Government of Nauru for its Aiwo Terminal. During the transition, insurance underwriters completed an audit and identified 14 Risk Improvement Areas. A Results-Driven Project (RDP) was selected as the project deployment methodology. One of the most significant achievements was a complete upgrade and replacement of electrical equipment in hazardous zones, eliminating potential ignition sources, and ultimately reducing the likelihood of a fire in the terminal. In addition, a complete review of Critical Roles and Critical Positions was completed and Learning Pathways constructed for all employees. Gas Free Test Recertification Officers, Safe Work Permit Officers and Laboratory Technicians all completed their Competency Assurance Program and are now "Can Do" assessed. Here are some before and after photos of improvements made in the Aiwo Terminal within the RDP.

Mission

We deliver Affordable, Accessible, and Available high-quality energy products and services through innovation to the communities we serve.

Vision

Vital is the largest provider of energy life-line products and services in Micronesia.



Stop/Start Switches



ULP & JetA1 Pump/Motor



A new emergency Exit Walkway

Operational Excellence

Competency Assurance Program

The CoRE-approved Competency Assurance Program, Skills Enhancement and Employee Development (SEED) Program has been established to provide improved oversight and use of the corporation's Learning Management System (LMS). It is one of the many programs that have been created to improve the various *management systems* used in the company.

The LMS was initially launched in August 2011 and is comprised of a library of Learning Packs, Procedures, and Assessments that cover the majority of critical activities of the company. CPP's are supported by internal and/or external coaches that assist staff enhance their skills and knowledge.

Program Manager Garrison Irons stated that the LMS is being upgraded to be more user-friendly. It will provide improved Learning Pathways for employees to build their skills and knowledge, and to demonstrate competency in higher risk activities within the business. This is the first major revision of the management system in over seven years.

The program will collaborate closely with managers in charge of Operating Units (OUs) and will support the Human Resources, Quality Assurance, SAFER, and Emergency Preparedness Programs.

The overall objectives of the Program include:

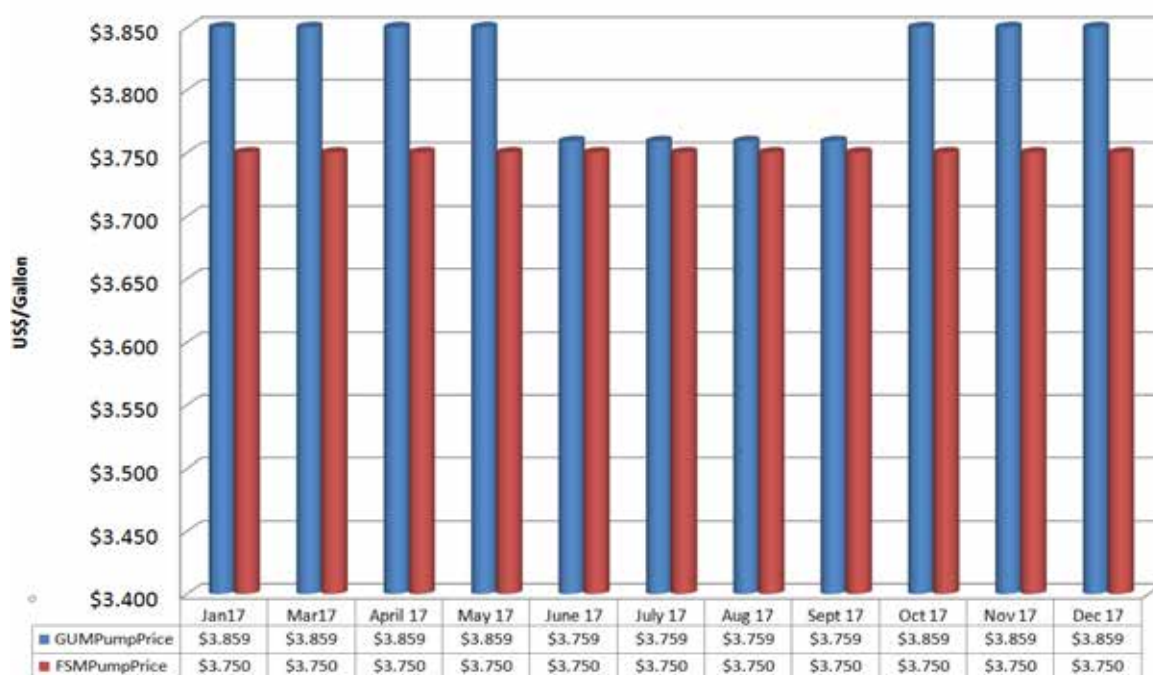
1. a greater understanding across the company on the purpose of the LMS, how it operates, and an individual's personal responsibility for continued professional development;
2. a higher impact of learning activities through improved training efficiency, regular assurance of competencies of individuals in high risk and impact activities;



3. the establishment of *Learning Pathways* for all *Critical Positions* and *Critical Roles* with structured development programs. It will also provide greater visibility of career opportunities for those who wish to progress to more challenging positions within the Company;
4. policies, process and procedures that provide clear guidance on expected performance levels, and are regularly reviewed for our changing business environment.

"Our Coaches and Instructors will be well-prepared, presenting quality courses that are positive learning opportunities for all participants and aligned with the needs of the Business," states Irons.

Pump Price of Gasoline \$/Gallon
Guam vs. Pohnpei



Although the international cost of products including gasoline and diesel has been rising since late 2016, FSMPC fuel prices have been maintained since the last price reduction in September 2016. To date, the cost of fuel in the FSM has remained at an average of \$3.75 per gallon, compared to Guam's pump price high at \$3.87 per gallon.

FSMPC's Board and management express gratitude towards the country's policy-makers, our customers and the people of the FSM for your understanding and continued support of the company.



Chairman Yangmog leading the toast with National and State government leaders



Young Tonoas citizen

C4Life Groundbreaking continued

Project Ambassador Resty Shotaro welcomed guests at Ichimanton Dock and shared an introduction to the island's history including its significance during WWII as headquarters for the Imperial Japanese Army. Shotaro then led the procession of over three hundred guests and spectators to the site of the future ICPF and IPP. In addition to the two, fifteen-foot tall billboards offering a clear picture of the future facilities, the Chairman and CEO of Balance Services Group Rod Hayes spoke briefly of the ICPF's initial capacity before introducing the concept and design behind the power plant his company has been commissioned to design and construct.

The Honorable Vice President Mr. Yosiwo George was invited to participate in the Groundbreaking Ceremony, and was joined by Chuuk State Governor Mr. Johnson Elimo, Yap State Governor Mr. Tony Ganngiyan, Pohnpei State Lt. Governor Mr. Reed Oliver, Kosrae State Lt. Governor Mr. Carson Sigrah, Tonoas Mayor Mr. Douglas Reselap, and FSMPC Chairman of the Board Mr. Faustino Yangmog. Chairman Yangmog concluded the Groundbreaking event by proposing a toast in honor of the distinguished guests and the Coconut For Life Project. A special lunch was hosted by Mayor Reselap and the people of Tonoas for all visitors.

Chief Strategy & Investment Officer Mathias Lawrence presented the C4L Project to the 11th State and National Leadership Conference at the Chuuk High School. Lawrence emphasized the Project's intended purpose of increasing economic benefits throughout the FSM by boosting its agriculture sector, generating new avenues for clean water and clean energy, working with formalized producer groups – called Participatory Guarantee System (PGS) Groups – that will comprise of over 25,000 registered coconut farmers.

The project is anticipated to increase FSM's Gross Domestic Product by at least 5%. Lawrence also touched on recent progress made in the Company, mentioning its first export of over 80 metric tonnes of coconut crude oil in July 2017, and announcing a second export of over 60 metric tonnes of coconut crude oil scheduled for late October 2017.



Vital Supply Officer Eileen Kichiro



Vital SAFER Manager Hasugulmal enjoying a Tonoas coconut



Vital employees and contractors with Safety signs



Vice President George, Governor Elimo, and Governor Ganngiyan



Etten Youth Group



Secretary Robert and Kosrae Lt. Governor Sigrah

Partnerships

CIDP - Coconut Value Chain Meeting

December - The Coconut Industry Development for the Pacific (CIDP), in partnership with the Pacific Island Farm Organization Network (PIFON), facilitated the second meeting for Coconut Value Chains in the Pacific. FSM PetroCorp was nominated by the FSM Department of Resources and Development as the value chain focal point and sent a representative to participate in the 2-day working meeting.

As a continuation of the July CIDP meeting, the participants focused on the 4 prioritized value chains: virgin coconut oil, high grade copra oil, coconut timber, and coconut

vinegar. As part of the working meeting, participants were able to test out the developed Value Chain Methodologies, drafted by PIFON with the assistance of Andrew McGregor.

The working group consisted of representatives from the FSM, Solomon Islands, Fiji, Kiribati, Papua New Guinea, Vanuatu, and Samoa.

FSM PetroCorp will continue in its development and revitalization of the Coconut Industry in the FSM and will continue to build on its relationship with CIDP for this development.



Pohnpei Menin Katengensed Market (PMK)

One of FSMPC's newest community partnerships is with the not-for-profit "Pohnpei Menin Katengensed (PMK) Market" to be based in Kolonia, Pohnpei. In the partnership, FSMPC has secured a lease agreement to display and sell its Leisure Marine Lubricant products, allowing for ease of access for the fishing community to our products.

PMK Market Project Manager Kevin Rhodes explains that the focus of the project is "to reward fishers who practice sustainable fishing through economic incentives that include paying a fair price for catch, expand-

ing market opportunities through product diversification, and by lowering overhead, while providing consumers with healthier seafood in a sanitary market environment."

FSMPC has also donated outboard oil, which will be the market's initial stock to sell. FSMPC Key Accounts Manager Trevayne Esiel explains that the company will be signing the lease agreement before the market's tentative opening date, February 1, 2018. For more information on the market, contact Francisco Sohl, PMK Secretary at 320-3697 or 320-5409.

Tank Overfill Emergency Response Team

October - As we greet the new year, Vital reflects upon the partnerships that have proved invaluable this year, specifically relating to the tank overfill at the Pohnpei Service Station. We are proud to acknowledge and thank once again the men and women who helped us implement the 3C's - Control, Contain, and Clean up - at the Site.

We extend our appreciation to the Pohnpei State Department of Public Safety, the Environmental Protection Agency, the Police Academy recruits, the Kolonia Town contractors, and members of the Aircraft Rescue and Firefighting Facility for their assistance, we look forward to addressing the lessons learnt and strengthening our joint response capabilities in 2018.



Competency Assurance Training: Nauru

October - The Nauru Terminal staff successfully completed the training course on Electrical Equipment in Potentially Explosive Atmospheres.

This in-house training course is designed to cover the various methods of explosion protection and combines the basic knowledge of explosive principles with practical demonstrations and exercises.

The successful completion of the training course certifies personnel who work on electrical apparatus for use in potentially explosive atmospheres, and is an essential component in ensuring the new electrical systems that were installed under the RDP90 can be maintained in a safe working condition.

Vital places a high priority on building staff capacity and ensuring that our people are 'CAN DO' in all areas of their work. Ongoing trainings are developed and facilitated to build our staff's capacity and also refresh and rebuild the existing knowledge and expertise. Ongoing training and refresher courses will help decrease the possibility of incidents and improve our overall operational excellence.

This training was facilitated by MDU Spec (M) Sdn Bhd, which is dedicated to providing, among other areas, technical training for personnel in the international oil and gas industry, as well as other industrial engineering markets.

Emergency Response Preparedness Drill: Chuuk

December - Chuuk Terminal participated in an Emergency Response Preparedness Fire Drill in December 2017, facilitated by Acting Officer In Charge Aries Albert. The objective of the exercise was to ensure that Chuuk Terminal staff is aware of their roles and responsibilities during a fire emergency, properly alerted, and well prepared in case of an actual incident. In addition to testing the staff's understanding of emergency procedures and policy, the response time for contractors and visitors on-site were also recorded and external Emergency teams were notified including Public Safety, EPA and the Chuuk State Hospital.

Lessons learned from the drill include the necessity for the frequent review of the Emergency Contact listing and the satisfactory working condition of the fire equipment for emergency response purposes.





Name: Sancherina Salle,
Economic Analyst

In The Community:
Secretary, Micronesian Red Cross
Society National (MRCSN) Board

Name: Calvin Yetasurmwai,
Helpdesk Customer Service Officer

In the Community:
Bass Guitarist, Pacific Mission
Fellowship (PMF) Worship Team



Name: Olivier Wortel,
Strategy Manager

In the Community:
Secretary, Sustainable Energy
and Farming Solutions (SEFS)
Board

*This quarter, get to know our staff
at the **Nauru Terminal***



L-R: Neil Halstead (Terminal Manager), Samson Haulangi (Aviation Supervisor), Jolin Raidinen (CSO), Tiko Agir (Refueller), Giovanni Moki Bernicke (Quality and Safety Officer), Clive Daiga Agir (Operator), Jordan Agir (Operator), Augusta Merica Detabene (CSO), Frasel Bill (Refueller), Adonis Demauna (Officer-In-Charge)
Not pictured: Lennon Peo (Operator)



Nauru team having lunch
after their VT2025 Update
Workshop

Digging up waste on the
beach during the Commu-
nity Clean Up



Team Nauru hosted its very
first Vital Annual Fishing
Circuit in September. Con-
gratulations Team Nauru on
a successful, record-breaking
event!

Family Fun Day for our 9th
Year Anniversary celebra-
tions at Menen Hotel



Vital in the Community

At Vital, we recognize the importance of actively supporting local communities, and that recognition has translated into one of the objectives, "Strengthen Business & Community Relationships" within in the Company's 10-year Strategy, Voyaging Together 2025. This quarter we have continued to take strides toward strengthening these relationships by providing support for the following recent community events:

2017 Vital Fishing Circuit: Yap

Yap Bulk Plant hosted the fifth and final tournament of the 2017 Vital Fishing Circuit on Saturday, Dec. 9th, in partnership with the Yap Fishing Club.

A total of 17 boats participated in the event, with over \$3000 in fuel sponsored by FSMPC.

Special thanks to the Yap Fishing Club, our staff volunteers and all participants for another successful tournament.

The 2018 Vital Fishing Circuit begins March 24th in the pristine waters of Kosrae.



Rotary Club of Pohnpei's Annual Quiz Night

On November 11, the Rotary Club of Pohnpei held its annual Quiz Night. Over \$11,000 was raised during the event. Vital proudly sponsored fuel for the charitable event.



The 1st Student Leadership Conference

On November 9, the first Student Leadership Conference hosted 150 students from all high schools in Pohnpei, and focused on developing the leadership potential of students in their schools and communities. Vital proudly donated tshirts to all participants.



Our virgin coconut oil ("VCO") is made from the finest coconuts, which are sun-dried and then manually pressed to extract the precious oil. Our fragrant oils are then combined with floral essences including Sampaguita and Ylangylang. We also make soap from vco, combining local fruit extracts and the traditional scent of coconut.



Proudly produced in the FSM
by the Coconut Development Unit, Vital FSMPC



PO Box 297 Kolonia, Pohnpei FM 96941
Contact: Maynerlynn Aldis, Sales Clerk
Tel: (691) 320-2892

EVENTS NEXT QUARTER



AVAILABLE AT VITAL
Contact: Trevayne Esiel, Key Accounts Manager
Ph: (691) 320-6364



Keep your engine younger for longer

OIC Performance Review

Date: Jan 22-27, 2018
Pohnpei Head Office

Republic of Nauru's 50th Year of Independence

Date: Jan 31, 2018
Venues include: Aiwo Boulevard and Link Belt Oval, Nauru

CyberSecurity Month

Date: March 2018
Venue: All locations
For more information:
harbert.tom@fsmnpc.com
stephanie.edward@fsmnpc.com

Vital Annual Fishing Circuit - Kosrae

Date: Sat, March 24, 2018
Venue: Okat Marina
Event: Annual fishing tournament
For more information:
gibson.siba@fsmnpc.com
hannahmarie.isaac@fsmnpc.com



Stay Connected:

Vital Energy Micronesia

Vital Energy Micronesia

Vital Energy Micronesia

@VitalEnergy2