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2018 Vital Fishing Circuit ends with Nauru, Chuuk, Yap derbies



Photo credits: Nauru - Nauru Fishing & Marine Resources Authority; Yap - Anthony Tareg, Jr.

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.

The last three events of the 2018 Vital Annual Fishing Circuit were held in Nauru (Sept), Chuuk (Oct) and Yap (Dec). The Nauru derby saw 50 boats vie for the top fuel prizes; the Chuuk tournament registered 52 boats and the Yap tournament beat a personal best with 20 boats. Much thanks to our partners in these tournaments: the Nauru Fisheries and Marine Resources Authority, the Chuuk Fishing Club, the Yap Fishing Club and the Yap State Police for volunteering their services, sharing knowledge and skills. The Vital Annual Fishing Circuit is an initiative within Vital's Corporate Social Responsibility Program. The 2018 circuit was held in five of its operating locations and sponsored over 200 boats and crews with over \$40,000 in fuel prizes.

Emergency Response Planning exercises in Pohnpei

Pohnpei Terminal staff conducted several emergency response drills during the last quarter of 2018 and the year with renewed confidence and improved safety and emergency response capabilities.



On November 29, Terminal Supervisor Jermy Raymond facilitated a fire-fighting exercise with terminal staff and security personnel, demonstrating how to properly use a handheld fire extinguisher and a fire blanket to kill a fire. The exercise was successfully executed at the Waste Management area.

On December 10, Pohnpei Terminal participated in a refresher Fire Drill, ensuring that our staff remain aware, alert, and prepared for a fire emergency. On December 27, they successfully conducted an evacuation drill and boom deployment exercise, the latter of which simulates an oil spill in the ocean.

All locations are required to conduct safety and emergency response drills and exercises on monthly, quarterly and annual basis. This regimen prepares staff in the event that incidents do occur, and supports Vital's assurance of safety for our employees, our community, and our environment.

Vital FSM PetroCorp: 10 Years of Service in Micronesia

continued on Pages 6, 7 & 8

On September 11, 2018, Vital reached a special milestone, the Tenth Year Anniversary since its inception in 2008. We would like to congratulate and offer our sincere appreciation to the 20 PIONEER STAFF who have, since September 2008 been vital to the Corporation's success:

Pioneer Staff at Pohnpei Terminal

*Jermy Raymond
Terminal Supervisor*



*Rosita Kilmete
Customer Service Officer - Admin.*



*Charles Chokai
Operator (Aviation Refueler)*



*Wayne Narruhn
Officer-in-Charge*



*Johnny Hentrick
Operator (Tanker Driver)*

Press Statement 7-2018: Upcoming price increase

October 18, 2018 – On October 10, 2018, the Vital FSM Petroleum Corporation announced the third increase in wholesale prices for gasoline, kerosene and diesel in the FSM since January 2018. Although this price increase had originally been scheduled for May 2018 when regional market prices jumped \$0.20 per gallon, the corporation's Board and Management elected to hold off on passing the additional costs to customers.

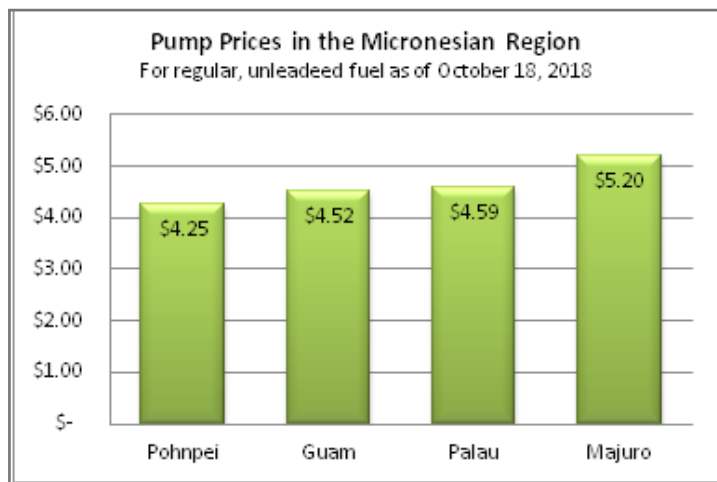


Fig.1: The pump price for regular, unleaded fuel throughout the region, as of October 18, 2018: Blue Bay Petroleum, Inc.-Koror, Palau; Mobil Mangilao Gas Station-Guam, USA; Ace's One Stop-Majuro, Marshall Islands; Pohnpei Service Station-Pohnpei, FSM.

As of October 18, 2018, pump prices throughout the Micronesian region showed that gasoline in Pohnpei was \$0.95/gallon less than the price in Majuro, \$0.34/gallon less than that in Palau, and also \$0.27/gallon less than Guam (see Fig. 1). Despite the upcoming price increase of \$0.25/gallon, FSM motorists are consistently paying less at the pump than motorists throughout the region.

According to the U.S. Energy Information Administration, the main components of the price of gasoline are: the cost of crude oil; refining costs and profits; distribution and marketing costs and profits; and taxes; of those four components, "the cost of crude oil is the largest factor in the retail price of gasoline." In October 2018, crude oil costs have reached a four-year high, which has been attributed to higher demand and lower inventories. Since 2017, the Organization of the Petroleum Exporting Countries (OPEC) has been reducing supply, as member countries have been impacted by geological and political factors.

For inquiries, email info@fsmpec.com. Related link: <http://www.vitalenergy.fm/news/>.



Featured in a recent ad, The Officers-in-Charge:
(From left) Pohnpei OIC Wayne Narruhn, Nauru OIC Adonis Demauna, Kosrae OIC Gibson Siba, Chuuk OIC Redley Killion, Jr., Yap OIC John Rumwol

Coconut For Life Update



Tonoas, Chuuk - At the Ichimanton site, the three WWII-era tanks have been demolished. Unlike Tanks 2 and 3, Tank 1 was found to have a significant amount of diesel oil sludge. While this presents further delays to the C4Life timeline, it was mandatory that the sludge be handled responsibly. The sludge was laborously transferred to a containment, where it is undergoing a compulsory bio-remediation process utilizing micro-organisms to break down and eliminate environmental pollutants, in this case, the diesel oil. The goal of the treatment is, if lab tests are passed and EPA approves, to reintroduce a healthier soil back into the existing topsoil.



An estimated 290 cubic yards of sludge-contaminated soil was extracted from Tank 1 and is currently undergoing the bio-remediation treatment.

Bio-remediation sludge treatment



C4Life team member aerating the sludge; remnants of Tanks 2 and 3 visible in the background.

Update to Chuuk State Leadership



CFO Adolph (center) with Vital Board of Directors Vice Chairman Redley Killion (left) and Director Anselmo Daniel (right)



Opening Ceremony of the 2018 Chuuk State Leadership Conference, Saramen Chuuk Academy Gymnasium

September 12-14, 2018 - Chief Financial Officer Johnny Adolph represented the Corporation at the 2018 Chuuk State Leadership Conference in Weno last September. The conference included panel presentations on finance, economy, infrastructure, and social progress.

CFO Adolph's presentation focused on C4Life: the progress made, the challenges faced, opportunities for the Chuukese people, and the support needed from the Chuuk State leadership. He also shared information on partnering with Chuuk Power Utilities Corporation to supply the Tonoas grid with surplus energy from C4Life generator sets. He also discussed opportunities for communities to supply coconuts to C4Life. "The driving force behind the PGS model is this mutual agreement between Vital and the farmers, and we need your support once we begin engaging with communities."

An estimated three hundred participants attended the two-day conference, including leaders and representation from the five regions of Chuuk State: Northern Namoneas, Southern Namoneas, Faichuk, the Northwest Outer Islands and the Mortlock Islands.

"The driving force behind the PGS model is this mutual agreement between Vital and the farmers"
-CFO Johnny Adolph

Partnerships

54th Asian and Pacific Coconut Community Session | Ministerial Meeting

Sept. 24-28, 2018, Kuala Lumpur, Malaysia - CSIO Mathias Lawrence served as Plenipotentiary Representative on behalf of FSM Resources & Development Secretary, Hon. Marian Henry to the 54th Asian and Pacific Coconut Community (APCC) Session|Ministerial Meeting in Malaysia. Accompanying him to the conference was Communications Officer Hannah-Marie Isaac.

The 54th APCC was hosted by the Government of Malaysia's Ministry of Agriculture and Agro-based Industry. Themed "Rejuvenating the Coconut Industry: Source of Prosperity," the weeklong conference began with country statements by the 18 member countries, and included meetings, seminars and site visits all focused on the coconut. One recurring subject were the health benefits of the coconut as a superfruit. There was also much discussion on the recent surge in negative propaganda in Western news, that portrays coconut oil as an unhealthy, dangerous fat. CSIO Lawrence presented the FSM country statement, touching on national policies, legislations and strategic initiatives affecting the FSM's coconut industry. Lawrence also shared a very realistic update on the current state of the nation's coconut industry touching on challenges faced recovery from natural disasters, the rising threat of invasive pests and diseases, and a deficiency in trade-related infrastructure.

"The decades old copra trade model will not build a strong industry for FSM as the value chain simply cannot support it. The FSM needs to transform rapidly from a copra production base with significant loss and spoilage, to a 'zero waste' industry, with integrated coconut processing facilities that create an economic value out of every component of the coconut, and meet the ever-changing stringent safety and traceability standards that are being applied to all food products; to extract the highest possible export prices by leveraging our isolation in pristine air and water and chemical and fertilizer free lands where the current coconut trees have naturally existed and thrived for decades; and as coconut products become more and more commoditized, to identify niche markets and partners that value the exclusivity of a Micronesian product, as well as the significant proportion of the value chain that we return to the farmer and family."

On the final day of the Session, Executive Director Mr. Uron Salum announced the official transitioning of the organi-



"The FSM needs to transform rapidly from a copra production base with significant loss and spoilage, to a 'zero waste' industry...to extract the highest possible export prices by leveraging our isolation in pristine air and water..." - CSIO Mathias Lawrence

zation from the Asian and Pacific Coconut Community into the International Coconut Community (ICC), revealing the newly approved ICC logo (below) and announcing the 1st ICC Session to be held in Manila in September 2019.



Launch: Maintenance Management

December 2018 - A team of IT, Maintenance, Procurement and Finance personnel underwent a weeklong workshop on Computer-aided Maintenance Management Systems (CMMS) technology from CARL Software to support Vital operations, reporting and decisions. Once the software is fully utilized, Vital users will be able to streamline their daily tasks by utilizing the voice memo, dictation, video and automatic filing features. According to CARL Software, this revolutionary technology will make it possible to preserve assets and keep maintenance costs within budget, while allowing for better supervision of maintenance activity.



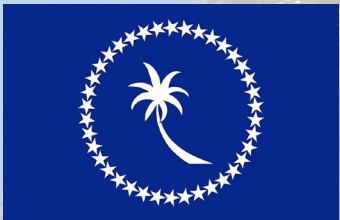
A team from iEngineering Australia facilitated the team training along with Vital's Operations Analyst and Project Manager Neil Halstead.

Procurement Policy Update



December 17, 2018 - A team from the Procurement and Supply Institute of Asia (PASIA) conducted an assessment of Vital's existing Procurement workflow, identified gaps, and reviewed the current state of Vital's Electronic Resource Planning. With an internal team led by Procurement Manager and Project Manager Garry Garsain, the PASIA consultants also developed a Procurement Manual for the company, ensuring that the company complies with international procurement regulations. Establishing these policies and procedures will help the company's procurement decision-makers make informed and supportable decisions when planning for the procurement of goods and services. In addition to finalizing the Procurement Manual, the PASIA team presented the findings of their assessment of the company and conducted a 2-day workshop with staff, sharing the results of the project including the policy framework, highlights and implementation plan.

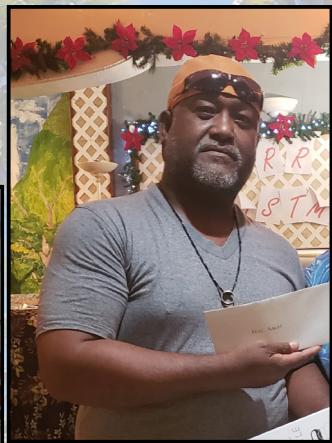
Pioneer Staff at Chuuk Terminal



*Eileen Kichiro
Supply Officer*



*Dominic Always
Operator (Aviation Refueler)*



*Aries Albert
Terminal Operator*



*Ande Kalisto
Operator (Aviation Refueler)*



*Akipson Etomara
Operator (Tanker Driver)*

Pioneer Staff at Yap Terminal



Operator (Tank Farm)
Isaac Taiwerpel



Juanito Hasugulmal
Manager - SAFER



CSO (Order to Cash)
Marcella Lelman



Operator (Tanker Driver)
James Sor

Pioneer Staff Highlight

Name: Maltrick Yamaguchi **Job title:** Quality Assurance Manager

Number of years in the Fuel Industry:

"22 years--4 years with the US Navy, 8 years with Mobil, and 10 years with PetroCorp"

Biggest career achievement:

"Being awarded Top Aviation facility within Mobil Oil Micronesia, Inc."

Biggest career challenge:

"Working with so many different types of people. I'm Pohnpeian so it's easy for me to work with Pohnpeians. But we work with people from all over the world and sometimes it's very hard to understand how and why other people think and act differently."

Favorite weekend activity?

"Farming with my grandsons"

Why farming?

"I see success in my plants growing."

What qualities do you hope to pass on to your grandchildren?

"I hope for them to be good, respected and hard-working people."

Any words of advice to readers?

"Change can start by you, and you can influence others to change too."

Maltrick is well aware of the nation's growing need for coconut trees, and replants at least 5 seedlings every weekend. He farms traditional crops like yam and sakau as well. His wife Lynn too has a green thumb, and grows a variety of sele (chili, below) and exotic flowers (right). Photos provided courtesy of Lynn Yamaguchi



We recognize the importance of actively supporting local communities and continue taking strides toward improving and strengthening relationships. Vital is proud to contribute to recent events in our communities, including (from l to r):

In August: Pohnpei Port Authority, FSM Dept. of TC&I - Micronesia Aerodrome Certification Workshop

In October: Pohnpei State Government Department of Agriculture - World Food Day 2018

Kosrae Chamber of Commerce - Kosrae Night Market

In November: FSM Consulate Office, Guam - Typhoon Yutu Relief Efforts

In December: Nauru People's Disabilities Organization - Fishing Derby (not pictured)



Pioneer Staff at the Head Office and Vital Energy, Inc.



Laura Tiegmai
Administration Manager



Maderson Ramon
General Manager - VEI, Inc.



Jared Morris
Chief Executive Officer



Judy Santos
OTC Coordinator/Accountant II



Maltrick Yamaguchi
Quality Assurance Manager



Trevayne Esriel
Key Accounts Manager



Turn your car
engine into
a tireless athlete



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