

The Chairman of SINPF, Mr. Peter Boyers, Directors of SINPF, the CEO of SINPF, Mr. Mike Wate, The Board Secretary of SINPF and SPO Boards, Ms. Ruth Alepio, Directors of SPO, CEO of SPO, Mr. Carson Korowa, the Media, Ladies and Gentlemen,

It gives me great pleasure to present the 2018 Dividend for South Pacific Oil to the shareholder, the Solomon Islands National Provident Fund.

Growth since 2008

South Pacific Oil should be deservedly proud of its achievements in from its inception some 11 years ago. During this period:

1. Since 2008, petroleum volumes grew from 41 million liters to 119 million litres, a growth of 78 million litres, or a growth in volume by nearly 200%.
2. Net Profit after tax grew from \$33,146,000 to \$93,322,240 over the same period.
3. Declared dividend grew from \$12, 630,000 in 2008 to \$73,000,000 in 2018.
4. Total dividend paid to the shareholder over the last 11 years is \$427,120,975.

SINPF made an initial investment of SBD40 million in 2006, then a further investment of SBD 156 million in April 2013 to acquire 100% shareholding of SPO. This resulted in a total investment of \$196 million from SINPF in SPO. Over the last 11 years, SINPF realized a cash flow gain of SBD 231.1 million. That is a rate of return of 218%.

2018 Results

For the financial year ending 2018, the Company's performance has been the best, both in volume and in profitability in its short history. The results represent a significant market share the Company enjoys in the petroleum sector. This is achieved through volume growth in both existing and new customers where it enjoys a market share of more than 60%. Some details of this performance are:

The Company also recorded a net profit of before tax of SBD 136.5 million for the financial year ended 31st December, 2018. In summary:

1. Volume grew from 113.3 million in 2017 to 119.1 million in 2018, an increase of 6 million litres,

2. Profit before tax grew from SBD 132.9 million in 2017 to SBD136.5 million in 2018, an increase of \$3.5 million. Had it not been competition that eroded the margins or the reduction in margins implemented as the Prices Advisory Committee, the performance would have been better.
3. In terms of Capex for financial year ending 2018, the Company recorded a total capital expenditure of \$29.4million, against a budget of \$30 million.
4. On our supply chain, we discharged 16 tankers in 2018, delivering a total volume of 122 million litres, stored and sold to customers with no loss time injury, no medical aid injury and of course no fatality.
5. At the airport, the Company delivered 8.68 million litres into aircraft without any quality incident. Our aviation system audited by all major airlines as well as IATA and CAASI has found no major issue that would affect our ratings as being a safe fuel supplier to the aviation industry.

With such good results, on behalf of the Board of South Pacific Oil, it is my pleasure to declare a dividend of \$70,000,000 for the 2018 financial year.

Challenges

Looking ahead there are several challenges, some of which are briefly mentioned above. The Enterprise Risk Management exercise conducted by the Company in mid-2018, reflected certain risks that the Board and management need to address. This includes:

1. **Entry of other competitors in Solomon Islands.** This is the result of lack of government enforcement of regulations and lack of sufficient storage capacities as highlighted above. To mitigate these risks, long term contracts are being signed with customers. However we need to build additional capacity.
2. **Securing sea access so that the Company's plan to relocate to Ranadi** can be implemented. We hope that the moratorium of the issue of sea beds can be resolved and the company can proceed with its relocation plans.
3. **Too dependent on a single product and handful of customers.** The Company needs to acquire land and develop them into retail service stations. This will mitigate the risk of being too dependent on diesel and a few customers.

4. **Health, Safety, Security and Environmental Risks are always there.** Our staff are continuously challenged to take appropriate measures to ensure the exposure to these risks are managed or mitigated. These measures are ongoing. As we move forward to address some of the above risks, the exposure will be increased.
5. **Business Continuity in South Pacific Oil.** There needs to be greater emphasis in recruiting, training and upskilling of human resources to provide continuity in the operations of the Company in the future.

In 2018, South Pacific Oil developed a comprehensive five (5) year plan to address some of these challenges. I thank my fellow Board Directors, Management and staff of South Pacific Oil for their efforts in supporting its operations through 2018, and look forward to ongoing support in the years to come.

Gideon Zoleveke (Jr)
Chairman of the Board