

## OPR-Refining & Petrochemicals Plc AGM – 28Oct2011

### **CHAIRMAN'S ADDRESS**

Distinguished shareholders, colleagues on the Board, ladies and gentlemen, I warmly welcome you all to the 2011 Annual General Meeting (AGM) of our Company, OPR – Refining & Petrochemicals Plc (OPR-R&P). I will present a brief review of the developments that have taken place in our local economy in which our company has been operating and a summary of your company's performance up to the end of August, 2011.

### **THE NIGERIAN ECONOMY**

Economic structural reform continues with efforts to modernise and improve the stability of the banking system, curb inflation and improve the reliability of basic infrastructure. The expenditure on infrastructure improvement accounts partly for the declining stock of external reserves. The price of Nigeria's Bonny light grade averaged US\$62.20, US\$ 80.90 per barrel, for 2009, 2010, respectively. The Gross Domestic Product (GDP) grew by 7.72% in the second quarter of 2011, up from 7.4% recorded in 2010.

Crude oil production which stood at around 1.9 million and 2.47 million barrels per day by year-end 2009 and 2010 respectively is expected to increase slightly with the passage of the Petroleum Industry Bill, which is before the National Assembly. The planned removal of fuel subsidy by the Federal Government is expected to help correct a lot of distortions in the economy, including the pressure on the currency exchange rate. The strength of the new Economic Management Team set up by the President is a clear demonstration of the priority being placed on the improvement of the country's economy.

Nigeria's ongoing political stability has been an important factor in the continuing investor confidence enjoyed by the country. However, the issue of security in the Nation still calls for much concern. It is hoped that the increasing focus by the Government to addressing these challenges will soon begin to yield positive results.

### **OUR PERFORMANCE**

Orient Petroleum Resources Plc (OPR), the holding company of OPR-Refining & Petrochemicals Plc, has an integrated business model that spans the upstream and downstream of the petroleum industry. After the Federal Government of Nigeria (FGN) had granted to the company the Licence to Establish and the Approval to Construct its 55,000 bpsd refinery in 2002 and 2004, respectively, the company had gone ahead to obtain from the FGN in 2005 the Environmental Impact Assessment (EIA) Certificate for its refinery, the first refinery in Nigeria to obtain such an EIA Certificate.

OPR has since completed the detailed engineering, sourced the modules of its refinery and completed the following project components:

- acquisition, perimeter and topographical surveys of 240 hectares of land at the refinery site in Anambra State and 21 hectares at Lokoja, Kogi State for standalone petroleum products depot to serve central and northern parts of Nigeria;
- geotechnical, geological and hydro-geological surveys at the refinery site;
- site civil engineering works - clearing, leveling earthworks prior to construction of internal roads and reinforced concrete plinths for installation of refinery equipment.

To provide additional insurance and security for crude feedstock supply, the FGN had granted to OPR on sole risk basis, two oil blocks, OPL 915 & 916, which are very close to the location of OPR's refinery. Since receiving the 2 oil blocks, OPR has been conducting the necessary Exploration & Production work to ensure timely provision of crude feedstock to the refinery.

The company decided early in 2011 to fast-track a staged development of the oil blocks by initial completion and production testing of one of the already drilled oil wells and 3D seismic data acquisition in OPR's oil blocks OPLs 915 & 916. This staged oil field development is expected to generate cash flow to support the financing and early completion of the refinery, which is a capital intensive project.

It is envisaged that completion of the refinery installation would be by end 2012, including overseas procurement and shipment of long lead items and on-site fabrication of storage tanks.

### **DIVIDEND**

The company is expected to complete construction of the refinery and commence sales at the end of 2012 and thereafter, the Board of Directors will review overall results prior to recommending a dividend.

### **FUTURE OUTLOOK**

We remain committed to maximising shareholders value and will continually adapt our business model in the challenging economic climate, to ensure that positive progress would be made in the coming months to position the company in the path of profitability.

At this juncture, I would like to thank my fellow Directors on the Board for their unflinching support, clear vision and commitment in institutionalizing best practice and good governance and steering the company to becoming one of the most resilient oil and gas companies in Nigeria.

Finally, let me express my profound appreciation, on behalf of your Board, to fellow distinguished shareholders for your steadfast support, interest and continued confidence in our company.

We commit our company and us all to God's continued protection and guidance.

Thank you for listening.

**Chief Emeka Anyaoku, CFR, CON, GCVO - Chairman, Board of Directors.**