

STAATSOLIE

Half-Year Report 2009

**Staatsolie Maatschappij Suriname N.V.
State Oil Company of Suriname**



Vision, Mission and Values

Staatsolie Vision 2020

- Leading the Sustainable Development of Suriname's Energy Industry.
- Making a Strong Contribution to the Advancement of our Society.
- Becoming a Regional Player with a Global Identity in the Energy Market.

Mission

- To develop Suriname's hydrocarbon potential over the full value-chain, to generate electricity, and to develop renewable sustainable energy resources.
- To secure the energy supply of Suriname and to establish a solid position in the regional market.
- To expand our reputation based on our growth performance, flexibility and Corporate Social Responsibility.

Values

- Excellence. We shall be strong result-oriented and strive for continual improvement in everything we do. We shall meet or exceed the product quality that our clients expect.
- Integrity. We shall be honest and transparent in our dealings with employees, clients, suppliers, shareholders and the community in which we work.
- Employee-focus. We consider our employees the most distinctive factor to our success.
- Growth. We shall focus on continuous growth and maximize shareholders' value.
- Public spirit. As a responsible member of the community, we shall base our business principles on sustainable development and regard for the environment. Moreover, we shall make a strong contribution to the advancement of our society.

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I. Shareholder, Supervisory Board, Board of Executive Directors and Management as of June 30, 2009

Sole Shareholder

The Republic of Suriname represented by:

- the President, His Excellency R.R. Venetiaan, on his behalf:
- the Minister of Natural Resources, G.A. Rusland

Supervisory Board

Marica S.	Acting Chairman
Adhin R.S.	Member
Kasantaroeno F.T.	Member
Pahladsingh R.K.	Member
Kensmil H.S.	Secretary

Board of Executive Directors

Waldijk M.C.	Managing Director
Kortram I.E.	Finance Director
Nuober B.F.	Refining & Marketing Director

Deputy Directors

Elias R.T.	Deputy Director Business Development
Dwarkasing B.	Deputy Director Exploration & Petroleum Contracts
Sairras G.	Deputy Director Production & Development

Division Managers

Brunings D.	Manager Human Resources
Daal - Vogelland M.	Manager Petroleum Contracts
Goerdajal P.	Manager Production Operations
Hughes C.	Manager Refining Operations
Jagesar A.	Manager Corporate Planning
Kleiboer A.	Manager Drilling Operations
Liems R.	Manager Engineering & Maintenance Services
Mac Donald D.	Manager Health, Safety, Environment & Quality
Moensi - Sokowikromo A.	Manager Controlling
Murli S.	Manager Procurement
Nai Chung Tong A.	Manager Marketing
Nandlal B.	Manager Field Evaluation & Development
Ramautar R.	Manager Renewable Energy Sources
Sleman A.	Manager Information & Communication Technology
Vermeer A.	Manager Finance Administration

Managers assigned

Brunings P.	Operations Manager Paradise Oil Company N.V.
Fränkel E.	Operations Manager Staatsolie Power Plant
Ketele T.	Project Manager Refinery Expansion



Line survey 2D regional seismic program for acquiring seismic data

II. Letter of the Managing Director

I am pleased to present the consolidated financial report of the first half of 2009 for Staatsolie. In this report our wholly owned subsidiary, Paradise Oil Company N.V. (POC) in Suriname, and our 98.4% owned subsidiary Ventrin Petroleum Company Limited (Ventrin) in Trinidad and Tobago, are incorporated. These companies are still in the development phase and will be developed to their full potential in the planning period 2008-2012.

In my report I will highlight the Staatsolie activities.

I am pleased to announce that the consolidated profit before tax for the first half of 2009 amounted to US\$ 35.8 million. This result includes the write-off, according to the US GAAP principles, for the costs related to the Front-End Design engineering studies of the Refinery Expansion Project and the 2D regional onshore seismic survey. Compared to the first half of 2008, gross revenues were 48% lower, reflecting the effect of declining oil prices. Although an increasing overall trend was observed in the first half of 2009, oil prices were considerably lower than in the same period of 2008. The average net price for petroleum products decreased to US\$ 45.80 per barrel in the first half of 2009 compared to US\$ 78.93 per barrel in the first half of 2008, a decrease of 42%. The resulting return on equity decreased to 26% from 79% in the first half of 2008.

Total sales volume showed a decrease of 12% compared to the first half of 2008, mainly due to lower demands of the bauxite industry. In the first half of 2009, a 10% increase in export volumes was realized compared to the first half of 2008. Export shipments to Guyana, Curaçao, Barbados and Trinidad continued with a share of 93% in total export volume. In the reporting period, sales in foreign currency amounted to US\$ 167.4 million, while sales in Surinamese dollars amounted to the equivalent of US\$ 8.7 million. Excluding trading activities, approximately 2.74 million barrels of petroleum products were sold: 1.17 million barrels for exports and 1.57 million barrels for local sales and bunkering. Total sales were distributed as follows: 43% for exports, 39% for the local bauxite industry, 13% for bunkering, and 5% to various local industries.

Contributions to the government budget over the first half of 2009 amounted to US\$ 25.8 million, a decrease of 80% compared to the first half of 2008; US\$ 15.1 million for tax obligations and US\$ 10.7 million as dividend. Contributions to the balance of payments amounted to US\$ 43.7 million, corresponding to a decrease of 71% compared to the first half of 2008. As of June 30 of this year Staatsolie provided employment to 687 persons.

The capital expenditures for the first half of 2009 amounted to US\$ 60.2 million, compared to US\$ 27.8 million in the same period of 2008, corresponding to an increase of 117%. During the first half of 2009, US\$ 47.9 million was spent on upstream operations, US\$ 12.0 million for the downstream operations and US\$ 0.3 million for general projects.

The investments were completely financed from the company's internal cash flow.

Staatsolie will continue towards meeting the goals associated with its investment program 2009, even during this period of volatile prices and the weakening demand as a consequence of the global recession.

The budget for the investment program 2008-2012 is approximately US\$ 970 million. The composition is as follows: US\$ 85 million for exploration; US\$ 310 million for production; US\$ 550 million for the refinery expansion and US\$ 25 million for power generation. Currently the budget for the refinery expansion project is in the final phase of reviewing.

The investments will be executed to realize the following goals:

- Increase the hydrocarbon reserves with 64 million barrels by 2012;
- Sustain the production level of 16,000 barrels per day;
- Increase the refinery capacity from 7,000 barrels per day to 15,000 barrels per day with an increase of high value light end products from 15% to 65%;
- Increase the power generation capacity from 14 MW to 28 MW.

Approximately US\$ 670 million of these investments will be financed from internal cash flow, and approximately US\$ 300 million will be financed through loans. The debt financing will be secured through local-, regional- and/or international banks. Approximately US\$ 20 million of these loans is allocated for local funding. Several financial institutions have already expressed interest to participate in the financing of the program.

As I look to the second half of 2009, I am confident that we are well positioned to realize our objectives set for 2009. Thanks to the commitment of our staff and their continuous efforts towards efficiency improvements, we are in a comfortable position to successfully finance and implement the investment program 2008-2012.

On behalf of my fellow Directors, I would like to take this opportunity to thank all our customers and other external relations that contributed to the development and continuous growth of Staatsolie. I extend my appreciation to the Shareholder and the members of the Supervisory Board, our employees and contractors, for their contribution and trust in the future of Staatsolie.

Confidence in Our Own Abilities!

Paramaribo, August 2009

M.C.H. Waaldijk
Managing Director



Marking a shot point for the regional 2D seismic program in the Nickerie swamp

III. Operational Performance first half of 2009 & Work Program second half of 2009

Commercial activities

Last year, an exploration strategy 2008-2012 for the coastal plain was developed detailing programs, to establish a minimum of 64 million barrels additional reserves. These additional reserves will allow Staatsolie to maintain production of 16,000 barrels per day for the next 20 years. The proven reserves at the end of 2008 were estimated at 80.6 million barrels. In June 2009 Netherland, Sewell and Associates, Inc. audited the estimated reserves established by Staatsolie. It was confirmed that the methodology applied was in accordance with generally accepted petroleum engineering and evaluation principles.

During the reporting period we recorded some notable achievements in the exploration campaign, such as the discovery of new leads:

- The two dimensional (2D) onshore regional seismic survey was completed. The total program consisted of approximately 582 km of seismic lines including the Commewijne COM 13 appraisal extension.

The operations started in September 2008 and finished at the end of June 2009.

The project was executed by Geokinetics LLC and the project costs were within the budget of US\$ 25 million. The first impressions are positive. The data acquired will be processed in Houston-Texas, USA and the results will be available at the end of this year.

- The drilling program for 2009 composed of twenty-six (26) exploration wells and two (2) production wells to facilitate production testing.

In the first half of 2009, fourteen (14) wells were drilled: nine (9) in Commewijne and five (5) in Coesewijne. The results are as follows:

- Oil shows were encountered in the Cretaceous Nickerie Formation in five (5) of the seven (7) wells drilled in Commewijne. More importantly however, is that a ten foot oil column was identified in the Palaeocene Lower Saramacca formation in one (1) well. Very preliminary estimates, with only one data point, indicate a most likely resource of 43 million barrels with a 38% chance of successful delineation.
- An appraisal program was developed for Commewijne to evaluate the Palaeocene discovery. The programme includes additional 2D seismic, appraisal drilling and production testing of one (1) well.

- In the Coesewijne area oil was encountered in two (2) wells in the Eocene formation. In both wells a fourteen foot oil column was present. In addition good oil shows were observed in the Nickerie formation.
- An appraisal program was also developed for Coesewijne and includes five (5) appraisal wells and one (1) test well.

The preparations for the execution of Paradise Oil Company's (POC) exploration onshore drilling work program in Coronie are on schedule. In January phase one (1) of the Uitkijk Block exploration program was finalized with the drilling of the last three (3) wells. A total of ten (10) wells were drilled within this program. All ten (10) wells showed good oil indications and preliminary estimates indicated a potential field of seven (7) million barrels reserves. The five (5) wells scheduled for 2009 by Paradise Oil Company and its joint-venture partner Tullow Oil, in the Coronie block will be drilled in September 2009. If the results are promising the second phase will commence with a minimum of ten (10) wells.

In the first half of 2009, Staatsolie produced 2.89 million barrels of Saramacca Crude, which was slightly behind the 2.92 million barrels target. Production decreased by 2.1% compared to the first half of 2008. The average daily crude production of 15,953 barrels per day was 246 barrels per day lower than the end of June 2008 with an average daily production of 16,199 barrels per day. A total of thirty-nine (39) development wells were taken into production in the Tambaredjo field. Seven (7) dry holes (15%) were encountered. No new wells were drilled in the Calcutta field. At the end of June a total of 1,230 wells were in production.

The refinery production of 1.39 million barrels was 4.5% higher than its targeted 1.33 million barrels. A throughput of 7,653 barrels per stream-day was realized, compared with the target of 7,350 barrels/day. In the first half of 2009, the production was approximately 1% higher compared to the realization of 1.38 million barrels in the first half of 2008. The production mix consisted of SO-Diesel, Asphalt Bitumen and various grades of Fuel Oil.

The company continues to advance the objective to double the refinery's processing capacity to 15,000 barrels per day by 2013. The focus for 2009 will be on completing

the Basic Engineering, Front-End Design Phase 3 (FED3), of the Refinery Expansion Project. In the first half of 2009 the FED3 continued with emphasis on the civil engineering work, including site preparation. The new refinery with a capacity of 15,000 barrels per day will be equipped with new process units to diversify Staatsolie's product portfolio with Euro IV Diesel and Gasoline and will be operational by the end of 2012.

The generation of electrical energy from the hydro powerhouse at Afobaka, has currently been reduced to normal level, after a period of increased inflow of water into the Van Blommenstein Lake. As of August 17, 2009, Staatsolie Power Company Suriname (SPCS) restarted its operations by delivering 7 MW to the local electricity company EBS, with the expectation to increase to maximum capacity of 14 MW.

Institutional activities

The execution of the offshore seismic program, bidding round and national database work program are in progress.

- In April 2009 Murphy Oil Corporation started with the acquisition of 1,600 km² of 3D seismic data covering the Aitkanti prospect and surroundings in block 37. After acquisition and processing, the focus during 2009 will be on the interpretation of the acquired 3D seismic data.
- In June 2009 Inpex Corporation concluded their 1,500 km² 3-D seismic survey in block 31 offshore Suriname. The operator will process the 3D data and complete interpretation to start planning the exploration well for 2010-2011.
- Activities regarding the 4th International Bidding Round 2008-2009 and 2D regional infill seismic acquisition program were executed as scheduled. The bidding round for blocks 43 and 44, launched in November last year, was closed on May 19, 2009. The bidding round did not attract any qualified partners, and a decision has yet to be made whether a new round for the blocks and/or different areas will be launched. The world economic crisis proved to be the biggest contributor in the lack of interest in offshore Suriname.
- Other activities included the evaluation (by Repsol YPF and its partners Noble Energy, Inc. and Petro Hunt Group), of the results of the well drilled in the offshore block 30. The planning is to drill a second well at the end of 2010.

- Completion of the structure of the National Petroleum Database is scheduled for the end of 2009. The target is to sign the contract with Halliburton in the 3rd quarter and to start the execution of the program.

Corporate Services

Within Staatsolie's 'Vision 2020 Implementation Strategy' the planning period 2009-2012 is identified as 'The Foundation for Growth'. In this period we want to secure a robust organization to enable the growth of the company. In this respect more stringent requirements will be imposed upon the organization, the operations and personnel, as well as the way these will be managed. As a first step, the design of a new Performance Management System was completed. With the new Performance & Competence Management System, production-related and competency development objectives for the individual employees are derived from the company objectives. Assessment and coaching will be based on these individual objectives as well as the extent to which the employee demonstrates the required behavior. A pilot will be executed during the second half of 2009.

Further a long-term strategic development plan for the Human Resource function was formalized in August 2009.

In order to strengthen the corporate governance structure, several programs will be implemented in the second half of 2009. The focus will be on the development of an integrated risk policy, an integrated risk assessment method and the development and formalization of an audit protocol.

In July 2009 Lloyds Register Quality Assurance (LRQA) executed an ISO 9001:2008 recertification audit.

The recertification was obtained on September 15, 2009.

Within the scope of our Vision 2020, identifying renewable energy projects is a strategic objective to transform the organization from an oil company to an energy company. The newly established directorate Business Development is responsible for developing policies and projects regarding Renewable Energy. For 2009 an amount of US\$ 0.5 million is allocated for feasibility studies and the identification of renewable energy projects in Suriname. In the first half of 2009 the study regarding the sugarcane cultivation for ethanol production was finished. Currently a study for the construction of an ethanol drying plant is in progress. Staatsolie has shown interest in the Tapanahony-Jaikreek Hydro Power Project and in the coming period will conduct

several social & environment impact and feasibility studies. In July 2009, Staatsolie was appointed by the Minister of Natural Resources as the coordinator and advisor with regard to hydro energy projects in Suriname.

In the first half of 2009, Staatsolie supported several sustainable development projects. During this period a total amount of US\$ 0.5 million was granted by the 'Committee Rehabilitation and Expansion of Sports Facilities'. The 'Staatsolie Community Development Fund Foundation' started its activities in the second half of 2009 with a budget of US\$ 1.0 million.

Work program second half of 2009

In accordance with the strategic plan 2008-2012, the focus for the second half of 2009 will be on:

Commercial

1. Conclusion of the appraisal and exploration drilling program onshore;
2. Preparations of the infrastructure in the onshore oil field Tambaredjo North West;
3. Finalizing of the Front End Design Phase 3 of the Refinery expansion;
4. Crude production sustaining program;
5. Conclusion of the Heads of Agreements for debt financing of the investment program.

Institutional

1. Further strengthening of the Petroleum Contracts division to comply with the commitments resulting from the increasing number of Production Sharing Contracts;
2. Completion of the structure of the National Petroleum Database on Suriname's petroleum data;
3. Monitoring of the petroleum activities in the offshore blocks 30 (Repsol YPF), 31 (Inpex), and 37 (Murphy Oil Corporation) and the onshore blocks Uitkijk and Coronie operated by POC;

4. Managing the open petroleum acreage and promotion of the exploration opportunities and available offshore blocks in Suriname;
5. Continued support for the Commission on the Limits of the Continental Shelf session on Suriname's claim to extend the Continental Shelf from 200 Nautical Miles to maximum 350 Nautical Miles .

Corporate Services

1. Pilot phase of the Performance & Competence Management program;
2. Review of the Finance Directorate organizational structure and implementation of recommendations;
3. Implementation of the Corporate Information Plan;
4. Implementation of a cost accounting system to better monitor cost efficiency;
5. Formalization and implementation of a Corporate Governance Code and development of an integral risk management system;
6. Development and implementation of a Treasury Management System and execution of the Investment Policy;





Pick up point at the Southdrain camp of the 2D seismic crew in district Nickerie

IV. Consolidated Financial Statements

1. Consolidated Balance Sheet as of June 30, 2009

x US\$ 1,000

Assets	Notes	As of June 30, 2009	As of Dec 31, 2008
Current assets			
Cash and cash equivalents		171,949	303,058
Short-term investments		18,250	14,941
Accounts receivable		39,860	44,546
Inventories		17,275	19,415
Prepaid expenses and other current assets		6,115	5,461
		253,449	387,421
Investments			
Pension plan		436	57
Property, plant and equipment			
Oil properties			
Evaluated properties		174,623	171,784
Pipelines		2,748	2,855
		177,371	174,639
Refinery		22,086	23,910
Power plant		17,087	17,794
Other fixed assets		29,911	28,539
Paradise oil assets		25	42
Ventrin assets		2,534	2,564
		249,014	247,488
Projects in progress		36,848	44,158
		285,862	291,646
Total assets		539,747	679,124

x US\$ 1,000

Liabilities	Notes	As of June 30, 2009	As of Dec 31, 2008
Current liabilities			
Accounts payable		1,414	6,605
Bank overdraft		338	448
Accrued liabilities		8,598	149,015
Income and other taxes		4,611	28,289
		14,961	184,357
Provisions			
Deferred income taxes		46,901	46,255
Provision for dismantlement and abandonment		64,876	59,418
Provision for pensions & other post retirement benefits		6,445	5,868
Provision for pension plan		-	522
		118,222	112,063
Minority interest Ventrin		1	2
Stockholders' equity			
	4.2.1		
Share capital (SRD 1 par value 5,000,000 shares issued and outstanding)		12,104	12,104
General reserve		360,982	360,984
Appropriated reserve 'Commissie Rehabilitatie en uitbreiding Sportfaciliteiten'		4,801	5,248
Appropriated reserve 'Staatsolie Foundation for Community Development'		1,000	1,000
Unrealized gains and losses short-term investments		13,103	11,596
Net other comprehensive income		(8,230)	(8,230)
Net result for the period		22,803	-
		406,563	382,702
Total stockholders' equity & liabilities		539,747	679,124

2. Consolidated Income Statement six months ended June 30, 2009

x US\$ 1,000

	Notes	As of June 30, 2009	As of Dec 31, 2008 ^{*)}
Revenues from			
Production & Refining		123,675	434,558
Trading activities		47,044	134,597
Electric energy		5	6,683
Inventory variation		4,671	3,003
Other revenues		310	75
		175,705	578,916
Less: export-, transport- and sales costs		(7,042)	(13,969)
Net revenues	4.3.1	168,663	564,947
Exploration expenses including dry holes		(24,237)	(5,366)
Production expenses		(12,467)	(26,141)
Refinery expenses		(25,308)	(10,679)
Depreciation		(23,281)	(36,242)
Other operational costs		(42,351)	(99,530)
Operating income		41,019	386,989
General and administrative expenses		(8,729)	(24,155)
Impairment of equity investment		-	(7,379)
Financial income		3,536	4,411
Earnings before tax		35,826	359,866
Income tax charge		(13,025)	(129,232)
Other taxes		-	(157)
Earnings after tax		22,801	230,477
Minority interest Ventrin		2	16
Net profit		22,803	230,493

^{*)} Figures are on a yearly basis.

3. Consolidated Cash Flow Statement six months ended June 30, 2009

x US\$ 1,000

	As of June 30, 2009	As of Dec 31, 2008 ^{*)}
Cash flow from operational activities		
Net earnings	22,803	230,492
Depreciation	23,281	36,242
Distribution of earnings excl. addition to general reserve	-	(130,917)
Decrease in income and other taxes	(23,678)	(4,696)
Decrease in accounts payable	(5,191)	(2,099)
(De)increase in bank overdraft	(110)	448
(De)increase in accrued liabilities	(140,417)	82,879
Decrease in receivables	4,030	14,741
De(in)crease in inventories	2,140	(5,701)
Cash flow from operational activities	(117,142)	221,389
Cash flow from investment activities		
Investment in property, plant and equipment	(17,497)	(64,354)
Increase in short-term investments	(3,309)	(1,206)
Cash flow from investment activities	(20,806)	(65,560)
Cash flow from financial activities		
De(in)crease in provision for pension plan	(901)	8,641
Increase in provision for dismantlement and abandonment	5,458	6,913
In(de)crease in provision for pensions & other post retirement benefits	577	(78)
Increase in deferred income taxes	646	8,840
In(de)crease in general reserve	-	2,360
Decrease in appropriated reserve 'Commissie Rehabilitatie en uitbreiding Sportfaciliteiten'	(447)	(712)
Decrease in appropriated reserve 'Staatsolie Foundation for Community Development'	-	1,000
Decrease in net other comprehensive income	-	(6,455)
Increase in unrealized gains and losses short-term investment	1,507	1,206
(De)increase in minority interest Ventrin	(1)	2
Cash flow from financial activities	6,839	21,717
Net cash flow	(131,109)	177,546
Cash and cash equivalents at beginning of period	303,058	125,512
Cash and cash equivalents at end of current period	171,949	303,058

^{*)} Figures are on a yearly basis.

4. Notes to the Consolidated Financial Statements

4.1 Accounting Principles - Consolidated Balance Sheet and Income Statement

General

Staatsolie Maatschappij Suriname N.V. (Staatsolie) is an integrated oil company incorporated in the Republic of Suriname. The integrated activities include exploration, production, refining, marketing and distribution of oil products. In addition, the Staatsolie Power Company commenced commercial operations in 2006.

Staatsolie has a wholly owned subsidiary, 'Paradise oil Company' (POC), incorporated in the Republic of Suriname. Furthermore, Staatsolie has a majority interest in Ventrin Petroleum Company Limited. Ventrin is a bunkering company incorporated in the Republic of Trinidad and Tobago. In 2008, Staatsolie's interest of 30% in Ventrin was increased to 98.4%.

Principles of consolidation

The consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (US-GAAP) for the oil and gas industries in particular.

The financial data of Staatsolie and its subsidiaries are taken into consolidation under elimination of inter-company balances, sales and purchases. Minority interests are presented separately in the consolidated financial statements.

Currency translation

The US-dollar is the reporting currency. Foreign currency transactions as well as Surinamese dollar (SRD) transactions are translated at applicable buying rates derived from exchange rates published by the 'Centrale Bank van Suriname'. At the end of the reporting period, monetary items in foreign currency are translated into US-dollars at the applicable period-end exchange rate. The period-end exchange rate for the Surinamese Dollar, the Euro and the TT Dollar in the period under review was US\$ 1 = SRD 2.71, US\$ 1 = Euro 0.71 and US\$ 1 = 6.29 TT.

Exploration and production development

The company utilizes the successful efforts method to account for expenditure incurred on exploration and production. On this basis, exploration costs incurred (drilling costs and material fixed assets) are initially capitalized, pending outcome of the technical findings of the exploration effort.

If the drilling operation is not commercially successful, the capitalized costs are charged in full to the expense account after deduction of any residual value. All other exploration costs, including geological and geophysical expenses, are charged to the expense account as incurred.

Capitalized costs relating to investments in the oil field, including productive land properties, are depreciated based on the Unit of Production Method (UPM). The UPM factor is derived from the year oil production and the related proven developed oil reserves.

Specific principles

Balance sheet

Short-term investments

Short-term investments are stated at market value. The market value of shares is derived from the value quoted by the 'Effectenbeurs van Suriname' (Stock Exchange of Suriname), while the value of the 'Powisie Gold certificates' is derived from the selling and buying price quoted by the 'Centrale Bank van Suriname' (Central Bank of Suriname).

Accounts receivable

Receivables are recorded at their nominal value and, if necessary, an allowance is made for doubtful accounts.

Inventories

Crude oil and refined products' inventories at year-end are valued at the lower of either cost or market value. Cost comprises all direct purchase costs, attributable operating expenses – including depreciation - and allocated overhead. Drilling supplies and other materials are recorded at the weighted average cost price or lower market value. The cost price consists of the purchase price plus a surcharge for import and transportation costs.

If necessary, a provision for obsolete inventory is taken into consideration and deducted from the inventory. Ordered goods have been recorded at purchase value and only the goods that are in transit at balance sheet date are recorded on the balance sheet.

Investments

Equity investments

Equity investments are accounted for using the equity method.

Pension plan

The investment in the pension plan regards the prepaid pension benefit related to the pension plan managed by the ‘Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.’. The determination of the prepaid pension benefit is based on an independent actuarial evaluation using the US-GAAP guidelines. In the case of an accrued pension cost, this is recorded under provision for pension plan.

Back Service Costs

In addition, investments in pension plan also comprise the prior service costs related to the insured pension plan recorded at contract value and to be amortized over the participants’ remaining service period.

Property, plant and equipment

Oil properties

The costs of production development such as drilling, testing and completion of development wells are capitalized, notwithstanding if these wells are successful or not. Capitalized costs consist of the purchase price of materials and services, including the company’s internal services. Capitalized costs for wells, equipment and production facilities are depreciated using the unit of production method.

Refinery, Power plant, Paradise Oil and other fixed assets

The refinery, power plant, assets Paradise Oil and other fixed assets are valued at cost or acquisition price. The capitalized costs of these assets are depreciated on a straight-line basis, taking into account the estimated useful lifetime of the assets.

Ventrin assets

The capitalized costs of these assets are depreciated on the reducing balance method.

Current liabilities

This relates to short-term obligations of less than one year, which are recorded at their nominal values.

Provisions

Deferred income taxes

This relates to the difference between the commercial and fiscal calculation of profits and the resulting difference in tax position.

Provision for dismantlement and abandonment

This provision regards the expected costs of the dismantlement of the production field, the related production facilities,

the pipelines (Saramacca-Tout Lui Faut-Paranam), the refinery and the power plant. The calculation of this provision is based on the cash value of the estimated full cost, taking into account an adjustment for inflation.

Annually, a portion of the expected costs of dismantlement and abandonment is expensed. The allocation of the cost for related production facilities, for example production fields, is based on the unit of production method. The allocation of the costs for the other tangible fixed assets is based on the straight-line method. The period for allocation is based on the expected moment of dismantling.

Provision for pensions and other postretirement benefits

This provision includes the unfunded accrued pension benefit related to the health care plan and the insured pension plan. The determination of this provision is based on an independent actuarial evaluation using the US-GAAP guidelines.

Income statement

Revenues

Net oil revenues consist of the sales of goods, electric energy and trade activities after deduction of discounts, export charges, etc. Revenues are recognized in the year in which the goods are delivered and services have been rendered.

The difference between the opening and closing inventory balance of finished products for sale as well as for internal use is recorded as ‘Inventory variation’.

Profits are taken into consideration at the moment they are realized; losses are taken into consideration in the year in which they are foreseen.

Expenditures

Expenditures are recognized according to the above mentioned valuation principles and are expensed in the year incurred.

All costs relating to production, including maintenance and repair of production equipment, are accounted for as production costs (‘lifting costs’) and are expensed as incurred.

The costs of the trade activities and electric energy are recorded as ‘Other operational costs’.

Income tax

Income taxes are computed on the financial results as shown in the income statement.

4.2 Note to the Consolidated Balance Sheet as of June 30, 2009

(x US\$ 1,000, unless indicated otherwise)

4.2.1 Stockholders' equity

As of June 30, 2009 the stockholders' equity consists of the following:

	Common stock	General reserve	Appropriated reserve		Unrealized gains and losses short-term investments	Net other compre- hensive income	Total
			Commissie Rehabilitatie en Uitbreiding Sportfaciliteiten	Staatsolie Foundation for Community Development			
Balance as of January 1	12,104	360,982	5,248	1,000	11,596	(8,230)	382,700
Transactions							
Withdrawal			(447)				(447)
Allocation				-	1,507	-	1,507
Balance as of June 30	12,104	360,982	4,801	1,000	13,103	(8,230)	383,760

4.3 Note to the Consolidated Income Statement six months ended June 30, 2009

(x US\$ 1,000, unless indicated otherwise)

4.3.1 Net revenues per product is as follows:

	Jan 1 - June 30, 2009		Jan 1 - Dec 31, 2008	
	x1,000 bbls		x1,000 bbls	
Local refined products	2,599	123,675	5,343	434,558
Trading activities	854	47,044	1,481	134,597
Electric energy ^{*)}		5		6,683
Total gross revenues	3,453	170,724	6,824	575,838
Net revenue local refined products after deduction of direct sales costs, including electric energy		163,682		561,869
Other sales related revenue				
- inventory change oil stock		4,671		3,003
- other revenues		310		75
Net sales revenue	3,453	168,663	6,824	564,947

^{*)} The generated electric energy in the first half of 2009 consists of 69,193 kWh. (2008: 173,367,914 kWh.)

V. Other Information



To: the Management of Staatsolie Maatschappij Suriname N.V.

Auditors' Report

Report on the financial statements

We have audited the accompanying consolidated financial statements for the period January 1 till June 30, 2009 of Staatsolie Maatschappij Suriname N.V., Paramaribo, which comprise the balance sheet as of June 30, 2009 and the related consolidated profit and loss account and the consolidated cash flow statement for the period then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Staatsolie Maatschappij Suriname N.V. as of June 30, 2009 and the result for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Paramaribo, September 11, 2009

Tjong A Hung Accountants

drs. R.A. Tjong A Hung RA



Published by : **Staatsolie Maatschappij Suriname N.V.**
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Cover Photo : Drilling of a shot hole at a shot point location
for the regional 2D seismic survey

Photos : Exploration Division, Arno Briers

Design and
production : Art Sabina Design & Printing NV

