

Staatsolie Maatschappij Suriname N.V.

1. Balance Sheet as of

x US\$ 1,000

Assets	Notes	2003	2002
Current assets			
Cash and cash equivalents	4.2.1	50,301	19,867
Short-term investments	4.2.2	5,767	4,729
Accounts receivable	4.2.3	10,144	18,295
Inventories	4.2.4	10,268	11,079
Prepaid expenses and other current assets*)		824	1,832
		<u>77,304</u>	<u>55,802</u>
 Investment in pension plan	 4.2.5	 812	 -
 Property, plant and equipment	 4.2.6		
Oil properties – successful efforts method:			
Evaluated properties*)		209,488	189,171
Pipelines*)		16,158	15,804
Less: accumulated depreciation		<u>(155,338)</u>	<u>(140,753)</u>
		70,308	64,222
Refinery (net of accumulated depreciation)		43,614	47,519
Other fixed assets (net of accumulated depreciation)		<u>13,553</u>	<u>12,034</u>
		127,475	123,775
Projects in progress		<u>8,599</u>	<u>10,001</u>
		136,074	133,776
 Total assets		 <u><u>214,190</u></u>	 <u><u>189,578</u></u>

Paramaribo, March 17, 2004

The Board of Executive Officers:

S.E. Jharap

I.E. Kortram

B.F. Nuboer

M.C. Waaldijk

*) 2002 figures adjusted for comparison purposes

Financial Statements

December 31, 2003 (after distribution of earnings)

x US\$ 1,000

Liabilities	Notes	2003	2002
Current liabilities			
Accounts payable	4.2.7	3,239	3,267
Short-term bank credit	4.2.8	4,407	4,395
Accrued liabilities*)	4.2.9	17,764	14,809
Income and other taxes*)	4.2.10	5,528	1,540
		<u>30,938</u>	<u>24,011</u>
Long-term liabilities			
Long-term debt	4.2.11	8,710	13,117
Deferred income taxes	4.2.12	27,211	24,287
Provision for dismantlement and abandonment	4.2.13	26,525	22,099
Provision for Post-retirement health care benefits	4.2.14	985	386
		<u>63,431</u>	<u>59,889</u>
Stockholders' equity	4.2.15		
Share capital (SRG 1,000 par value 5,000,000 shares issued and outstanding)		12,104	12,104
General reserve*)		105,294	92,189
Unrealized gains and losses short-term investments		2,423	1,385
		<u>119,821</u>	<u>105,678</u>
Total liabilities		<u><u>214,190</u></u>	<u><u>189,578</u></u>

Paramaribo, March 17, 2004

The Board of Supervisory Commissioners:

S. Marica Acting Chairman
R.S. Adhin Member
J.R. Kross Member
R.K. Pahladsingh Member

*) 2002 figures adjusted for comparison purposes

2. 2003 Income Statement

x US\$ 1,000

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
Oil revenues		114,686	104,074
Other revenues		652	931
		115,338	105,005
Less: export-, transport- and sales costs		(4,379)	(5,966)
Net revenues	4.3.1	110,959	99,039
Exploration expenses including dry holes		(419)	(1,238)
Production expenses		(16,574)	(14,946)
Refinery expenses		(5,710)	(9,265)
Depreciation	4.3.2	(23,071)	(24,390)
Operating income		65,185	49,200
General and administrative expenses		(10,787)	(10,819)
Interest (expense)/income		(170)	(394)
Other (expense)/income		(1,114)	(717)
Earnings before extraordinary items		53,114	37,270
Income tax charge		(24,432)	(13,417)
Results after income taxes		28,682	23,853
Extraordinary expenses		(463)	0
Tax charges on extraordinary items		213	0
Extraordinary result after taxes		(250)	0
Net income		28,432	23,853

Paramaribo, March 17, 2004

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S.E. Jharap
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3. 2003 Cash Flow Statement

x US\$ 1,000

	<u>2003</u>	<u>2002</u>
Cash flow from operational activities		
Net earnings	28,432	23,853
Depreciation	23,071	24,390
Distribution of earnings excl. addition to general reserve	(15,827)	(13,468)
In(de)crease in income and other taxes	3,988	(1,047)
Decrease in accounts payable	(28)	(491)
Increase in short-term bank credit	12	12
Increase in accrued liabilities	2,955	703
In(de)crease in receivables	9,159	(9,456)
Decrease in inventories	811	1,782
Increase Pension plan	(812)	-
Cash flow from operational activities	<u>51,761</u>	<u>26,278</u>
Cash flow from investment activities		
Investment in property, plant and equipment	(27,391)	(26,698)
Disinvestment in property, plant and equipment	2,021	16
Increase in short-term investments	(1,038)	(1,058)
Cash flow from investment activities	<u>(26,408)</u>	<u>(27,740)</u>
Cash flow from financial activities		
Decrease in long-term debt	(4,407)	(4,395)
Increase in provision for dismantlement and abandonment	4,426	3,419
Increase in deferred income taxes	2,924	4,753
Increase in provision for post-retirement health care benefits	599	386
Increase in general reserve	500	530
Increase in unrealized gains and losses short-term investment	1,039	1,058
Cash flow from financial activities	<u>5,081</u>	<u>5,751</u>
Net cash flow	30,434	4,289
Cash and cash equivalents at end of previous year	<u>19,867</u>	<u>15,578</u>
Cash and cash equivalents at end of current year	<u><u>50,301</u></u>	<u><u>19,867</u></u>

4. Notes to the Financial Statement

4.1 Accounting Principles – Balance Sheet and Income Statement

General

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

Changes in Accounting Principles

In 2002, the prior service costs regarding the insured pension plan was charged to the general reserve. In 2003, the method of processing the insured pension plan was changed in accordance with US-GAAP. This resulted in correction of the figures recorded in the previous year.

In 2003, the capitalized costs related to the dismantlement and abandonment of the pipeline were re-classified from "evaluated properties" to "pipelines". Furthermore, the short-term provisions were re-classified from "prepaid expenses and other current assets" to "accrued liabilities". The comparative figures for 2002 have been adjusted accordingly.

Currency Translation

The US-dollar is the reporting currency since 1995. Foreign currency transactions as well as Surinamese guilder (SRG) transactions are translated at applicable buying rates derived from exchange rates published by the "Centrale Bank van Suriname". At the end of the fiscal year, monetary items in foreign currency are translated into US dollars at the applicable year-end exchange rate. The year-end exchange rate for the Surinamese guilder in the year under review was US\$ 1 = SRG 2,600.

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 the outcome of 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 Unit of Production Method factor is derived from the year oil production and the related proven developed oil reserves.

Specific Principles

Balance Sheet

Current Assets

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 Goldcertificates' 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 average cost price (weighted average) 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 date are recorded on the balance sheet.

Investment in Pension Plan

This regards the prior service costs related to the insured pension plan. Investment in pension plan is recorded at contract value and shall 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 and other Fixed Assets

The refinery 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.

Current Liabilities

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

Long-term Liabilities

Long-term Debt

The long-term debt consist of debt obligations of longer than one year and are recorded at their nominal values.

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, and of the related production facilities as well as of the pipelines (Saramacca-Tout Lui Faut-Paranam) and the refinery (Tout Lui Faut). 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 material fixed assets is based on the straight-line method. The period for allocation is based on the expected moment of dismantling.

Provision for Post-retirement Health Care Benefits

This provision covers the expected cost of health-care for retired personnel. The determination of this provision is based on actuarial assumption and US-GAAP guidelines.

Income Statement

Oil Revenues

Net oil revenues consist of the sales of goods and services 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 and the production for internal use is recorded as Inventory variation oil stock under "Oil revenues".

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 valued 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 cost') and are expensed as incurred.

Taxes

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

4.2 Notes to the Balance Sheet as of December 31, 2003 (x US\$ 1,000)

Current Assets

4.2.1 Cash and cash equivalents consist of the following:

	<u>2003</u>	<u>2002</u>
Cash at local banks	4,836	6,386
Cash at foreign banks	45,438	13,461
Total bank balance	50,274	19,847
Petty cash	27	20
	<u>50,301</u>	<u>19,867</u>

4.2.2 Short term investments consist of the following:

	<u>2003</u>	<u>2002</u>
Powisie Gold certificates	5,494	4,473
Shares	273	256
	<u>5,767</u>	<u>4,729</u>

4.2.3 Accounts receivable consist of the following:

	<u>2003</u>	<u>2002</u>
Accounts receivable in Surinamese guilders (net)	2,518	945
Accounts receivable in foreign currency (net)	7,626	17,350
	<u>10,144</u>	<u>18,295</u>

4.2.4 Inventories comprise the following:

	<u>2003</u>	<u>2002</u>
Products	4,266	4,413
Materials and supplies	4,680	5,197
Ordered goods	1,466	1,960
	10,412	11,570
Less: Provision for obsolete supplies	(144)	(491)
	<u>10,268</u>	<u>11,079</u>

4.2.5 Investment in pension plan

The prior service costs related to the insured pension plan which shall be amortized over the participants' remaining service period amounts to US\$ 0.8 million

4.2.6 Movements in 2003 in property, plant and equipment are as follows:

	2003					2002		
	Wells & equipment	Pipelines	Total production investments	Refinery	Other fixed assets	Projects In progress	Total material fixed assets	Total material fixed assets
Investments January 1*)	189,171	15,804	204,975	71,360	39,265	10,001	325,601	299,562
Disinvestments current year	(2,740)		(2,740)	(16)	(2,723)		(5,479)	(659)
Investments current year	23,057	355	23,412	815	4,566	(1,402)	27,391	26,698
Total investments December 31	209,488	16,159	225,647	72,159	41,108	8,599	347,513	325,601
Total depreciation January 1*)	(132,756)	(7,997)	(140,753)	(23,841)	(27,231)		(191,825)	(168,078)
Disinvestments current year	1,279		1,279	5	2,173		3,457	643
Depreciation current year	(14,746)	(1,119)	(15,865)	(4,709)	(2,497)		(23,071)	(24,390)
Total depreciation value Dec. 31	(146,223)	(9,116)	(155,339)	(28,545)	(27,555)		(211,439)	(191,825)
Book value as of December 31	<u>63,265</u>	<u>7,043</u>	<u>70,308</u>	<u>43,614</u>	<u>13,553</u>	<u>8,599</u>	<u>136,074</u>	<u>133,776</u>

Wells and Equipment

The depreciation rate of 0.22 (2002: 0.26) for 2003, based on the Unit of Production Method, is calculated using the quotient of the annual production of 4.3 mbbbls and the proven developed reserve of 15.0 mbbbls plus the production in the current fiscal year.

Staatsolie's oil producing properties, are primarily obtained through concessions provided by the Surinamese government. They have also been acquired through a decree in lease/long lease or through the purchase of the right to lease/long lease. Regarding these concessions, the government decided by decree in June 1988, that there will be no retribution on the produced oil from the Tambaredjo field.

Long-lease land, in line with other production facilities, is amortized based on the Unit of Production Method.

*) 2002 figures adjusted for comparison purposes

Investment in Wells and Equipment

Total number of wells, related investments and book values:

Investment year	Number of wells	Original Investment	Book value 01-01-2003	Investment/Dis-investment 2003	Depreciation ¹⁾ 2003	Book value 12-31-03
1980 – 1995	631	84,472	5,267		1,159	4,108
1996	32	9,326	1,447		318	1,129
1997	30	12,265	2,348		517	1,831
1998	23	7,316	1,700		374	1,326
1999	15	4,195	1,207		265	942
2000	25	18,680	5,654		1,244	4,410
2001	44	20,123	11,036		2,428	8,608
2002	83	33,537	27,756		6,106	21,650
2003*)	86			20,317	1,056	19,261
	<u>969</u>	<u>189,914</u>	<u>56,415</u>	<u>20,317</u>	<u>13,467</u>	<u>63,265</u>

¹⁾ Includes reversal of disinvestments

*) Movements in 2003 in wells and equipment are as follows:

	Investments	Depreciation	Book value
Wells and equipment	16,374	491	15,883
Capitalized cost for dismantlement	3,942	564	3,378
	<u>20,316</u>	<u>1,055</u>	<u>19,261</u>

Pipelines

The pipeline facilities through which crude oil is transported from the Saramacca field to the Tout Lui Faut export terminal are depreciated on a straight-line basis over a period of 15 years. At the end of 2003 the remaining depreciable lifetime is approximately 3.5 years. The pipeline facilities that transport fuel oil from Tout Lui Faut to Paranam were put into use in July 2000. This pipeline is also depreciated on a straight-line basis over a period of 15 years.

Refinery

The refinery assets are depreciated on a straight-line basis. The refinery units and land improvement are depreciated at a rate of 6% per year, while the Distributed Control System and the crude storage tanks are depreciated at respectively 8% and 20% annually.

Refinery assets comprise of the following:

	2003	2002
Land and land improvement	1,666	1,666
Crude desalting and vacuum unit, visbreaker unit, tankfarm en utilities	62,606	62,255
Distributed Control System	1,768	1,768
Crude storage tanks	3,307	3,273
Capitalized cost for dismantling	2,812	2,398
	<u>72,159</u>	<u>71,360</u>
Less: Accumulated depreciation	(28,545)	(23,841)
Total refinery assets	<u>43,614</u>	<u>47,519</u>

Other Fixed Assets

Movement in other fixed assets were as follows:

	Book value January 1, 2003	Book value disinvestment 2003	Investment 2003	Depreciation 2003	Book value 12-31-03
Properties & Dock TLF	3,769			(98)	3,671
Buildings and installations	4,668	(486)	2,548	(738)	5,992
Oil tankers	433	(47)	585	(27)	944
Drilling machinery, heavy equipment and transportation equipment	1,512	(16)	516	(590)	1,422
Office furniture, fixtures and tools	1,652	(1)	917	(1,044)	1,524
	<u>12,034</u>	<u>(550)</u>	<u>4,566</u>	<u>(2,497)</u>	<u>13,553</u>

Properties outside the production field are being amortized on a straight-line basis, based on the expenditures incurred in acquiring the long lease and on the terms of the lease.

The annual depreciation percentage for buildings is 10%, telecommunication equipment 20%, dock TLF 4% and oil tanker 10%. Drilling machinery and heavy equipment are depreciated annually at 20%, transportation equipment at 33½ % and office furniture, fixtures and similar assets at 50%. Where applicable a residual value is taken into consideration.

Projects in Progress

This relates to uncompleted projects, including self-construction projects, of which the expenditures are capitalized upon completion.

The projects in progress in 2003 are as follows:

	2003	2002
Balance as of January 1	10,001	22,096
Capitalized costs	27,707	25,255
	<u>37,708</u>	<u>47,351</u>
Less: reclassification to		
- wells and equipment	(23,057)	(33,947)
- pipelines	(286)	
- refinery	(816)	(1,879)
- other fixed assets	(4,566)	(1,524)
- expense	(384)	
Balance as of December 31	<u>8,599</u>	<u>10,001</u>

Current Liabilities

4.2.7 Accounts payable consists of the following:

	2003	2002
Accounts payable in Surinamese Guilders	733	609
Accounts payable in foreign currencies	2,506	2,658
	<u>3,239</u>	<u>3,267</u>

4.2.8 Short-term bank credit

At the end of the financial year 2003, the four installments totaling US\$ 4 million regarding the "Subordinated Loan", which are due within one year, have been recorded as a short-term debt. The remaining balance of US\$ 6 million has been recorded as a long-term debt. This loan was originally concluded for an amount of US\$ 23 million. Both the Republic of Suriname and the "Nederlandse Investeringsbank voor Ontwikkelingslanden" (NIO – Dutch Investment Bank for Developing Countries) guarantee this credit. The interest rate on this credit is based on the Libor rate plus 0.375% annually. Repayment of the "Subordinated Loan" is planned for 23 quarterly installments.

Furthermore, short-term bank credit includes two installments totaling US\$ 0.4 million, which are due within one year, from a loan with the European Investment Bank (EIB). The remaining balance of US\$ 2.7 million has been recorded as a long-term debt.

4.2.9 Accrued liabilities

Accrued liabilities relate to liabilities other than to suppliers of goods and services for production. These debts are as follows:

	<u>2003</u>	<u>2002*)</u>
Cash dividend	8,876	8,526
Allowances payable to management and personnel	2,778	1,353
Payables regarding consultancy and other services	2,241	1,779
Maintenance costs to be paid for the refinery	1,068	721
Sales expenses	641	709
Other payables	2,160	1,721
	<u>17,764</u>	<u>14,809</u>

4.2.10 Income and other taxes payable as of December 31 consist of the following:

	<u>2003</u>	<u>2002*)</u>
Income tax	8,895	4,738
Payroll taxes and social contribution	(3,367)	(3,198)
	<u>5,528</u>	<u>1,540</u>

Long-term Liabilities

4.2.11 Long-term debt comprises the following:

	<u>2003</u>	<u>2002</u>
ABN-AMRO Bank Houston Subordinated Loan	6,000	10,000
European Investment Bank	2,710	3,117
	<u>8,710</u>	<u>13,117</u>

*) 2002 figures adjusted for comparison purposes

4.2.12 Deferred income taxes consist of the following:

	<u>2003</u>	<u>2002</u>
Balance as of January 1	24,287	19,534
Add due to:		
Difference between commercial and fiscal calculation of profit	<u>2,924</u>	<u>4,753</u>
Balance as of December 31	<u><u>27,211</u></u>	<u><u>24,287</u></u>

4.2.13 Provision for dismantlement and abandonment

This provision concerns the cost for the dismantling of the production field and the related production facilities, the pipelines (Saramaca-Tout Lui Faut and Tout Lui Faut-Paranam) and the refinery, and consists of the cash value of the estimated full cost, taking into account an adjustment for inflation.

Provision for dismantlement and abandonment comprises the following:

	<u>2003</u>	<u>2002</u>
Production field in 2003: 683 wells; (2002: 596 wells)	21,698	17,914
Production facilities:		
Saramacca and pipeline to TLF	2,015	1,787
Refinery and pipeline to Paranam	<u>2,812</u>	<u>2,398</u>
	<u><u>26,525</u></u>	<u><u>22,099</u></u>

4.2.14 Provision for post-retirement health care benefits

This provision regards the expected cost of health care for retired personnel. As of December 31, 2003 the actuary valued this provision at US\$ 3.4 million. In 2003 US\$ 0.6 million was added to the provision.

4.2.15 Stockholders' equity

In 2003, the stockholders' equity consists of the following:

	<u>2003</u>	<u>2002*)</u>
Common stock		
Authorized share capital SRG 5 billion with a nominal value of SRG 1,000 per share	12,104	12,104
General reserve		
Balance as of January 1	92,189	
Add: Appropriated reserve for environmental risk	<u>500</u>	
	92,689	
Transfer from earnings 2003	<u>12,605</u>	
	105,294	92,189
Unrealized gains and losses short-term investments	<u>2,423</u>	<u>1,385</u>
	<u><u>119,821</u></u>	<u><u>105,678</u></u>

*) 2002 figures adjusted for comparison purposes

4.2.16 Pension plan

The pension benefit obligation and the obligation for post-retirement health care benefits are as follows:

(xUS\$ 1,000)	Pension benefits		Insured pension	Post-retirement	
			benefits	health care	
	2003	2002*)	2003	2003	2002*)
Benefit obligation at December 31	18,762	14,045	477	3,367	2,720
Fair value of plan assets as of December 31	18,832	14,985	0	0	0
Funded status as of December 31	71	940	(477)	3,367	(2,270)
(Prepaid)/accrued pension cost	1,312	637	(143)	1,037	(486)
	Pension benefits		Insured pension	Post-retirement	
			benefits	health care	
	2003	2002*)	2003	2003	2002
Actuarial assumptions	%	%	%	%	%
Actuarial discount rate	5.5	6.5	5.5	5.5	6.5
Expected return on plan assets	6.5	6.5	-	-	-
Adjustment for inflation and salary					
developments	6.2	7.5	4.4	-	-
Rate of benefit increase	2.5	2.5	2.5	-	-

The expected increase of medical cost is rated at 5% annually

(xUS\$ 1,000)	Pension benefits		Insured pension	Post-retirement	
			benefits	health care	
	2003	2002*)	2003	2003	2002*)
Benefit cost	1,211	1,241	143	552	486
Employer's contribution	1,415	1,409	-	-	-
Employee's contribution	472	470	-	-	-
Benefits paid	71	48	-	2	PM

*) 2002 figures adjusted for comparison purposes

4.2.17 Off-balance commitments

Commitments of the company that are not recorded in the balance sheet, amount to US\$ 6.2 million at year-end 2003.

4.3 Notes to the 2003 Income Statement (x US\$ 1,000)

4.3.1 Net revenue per product is as follows:

	2003		2002	
	x1000 bbls		x1000 bbls	
Crude oil	1,691	42,886	1,738	38,056
Local refined products	2,511	71,800	2,775	66,018
Gross revenues	4,202	114,686	4,513	104,074
Net revenue crude, local refined products and crude oil derivatives after deduction of direct sales costs		110,307		98,108
Other sales related revenue:				
- inventory change oil stock		652		931
Net sales revenue	4,202	110,959	4,513	99,039

4.3.2 Depreciation

The breakdown of the depreciation expenses is as follows:

	2003	2002
Wells and equipment	14,746	15,924
Refinery	4,709	4,768
Oil pipelines	1,118	950
Other fixed assets	2,498	2,748
	23,071	24,390

IV. Other Information

TJONG A HUNG

Assurance and
Business
Advisory
Services

1 Auditors' Report

Introduction

We have audited the financial statements of Staatsolie Maatschappij Suriname N.V. at Paramaribo for the year ended December 2003, presented on pages 38 to 52. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 December 31, 2003 and the result of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Paramaribo, March 17, 2004

Tjong A Hung, Accountants

Tjong A Hung is an associated firm of PricewaterhouseCoopers

2. Distribution of Earnings

Articles of Association

Distribution of earnings takes place in accordance with Article 28 of the articles of association, which stipulates that net earnings reflected in the balance sheet and income statement, adopted by the Annual General Meeting, are placed at the disposal of the General Meeting of Shareholders.

2003 Distribution of Earnings

In 2003, a net profit was realized of US\$ 28.4 million. Management proposes a cash dividend of 50%, profit sharing for personnel and management and a reserve for environmental risks. The remaining balance will be added to the general reserve.

3. Adoption of Financial Statements of the Preceding Fiscal Years

The 2002 Financial Statements were adopted at the General Meeting of Shareholders held on April 10, 2003 and included Management's proposal for the appropriation of the 2002 profit.



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