HALF-YEAR REPORT 2017

STAATSOLIE

Confidence in Our Own Abilities

HALF-YEAR REPORT 2017

Vision

- 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

HSEC Focused:
We put health and safety first, strive for zero harm to our people and the communities around us, and minimize negative impacts upon the environment.

Integrity:
We are honest and do what we say we will do.

People Focused:
We create a supportive and collaborative environment, respect each other, are open to other's ideas and facilitate personal and professional growth.

Excellence:
We set high standards for quality, strive to exceed expectations and do our work with a sense of urgency.

Accountability:
We accept responsibility for our job and actions, are co-operative, and create a non-blaming environment.

CONTENTS

Shareholder, Supervisory Board, Board of Executive Directors and Management

As at 30 June, 2017

Sole Shareholder

The Republic of Suriname represented by:

- the President, His Excellency D.D. Bouterse, on his behalf:
- the Vice President, A. M. Adhin

Supervisory Board

E. Boerenveen	Chairman
G. Asadang	Member
A. Immanuel	Member
E. Poetisi	Member
M. Rommy	Member

Board of Executive Directors

R. Elias	Managing Director
B. Dwarkasing	Director Upstream
A. Moensi-Sokowikromo	Director Finance

Deputy Director

A. Jagesar	Deputy Director Downstream

Division Managers

I. Ambrose	Manager Corporate Audit
K. Ashruf-Thijm	Manager HRM Upstream
R. Bissumbhar	Manager Production Unit Tambaredjo
C. van der Bliek	Manager Maintenance & Turnaround
D. Brunings	Manager Corporate Communication
P. Brunings	Asset Manager Production
S. Chintoe	Manager Business Economics (Acting)
M. Daal-Vogelland	Manager Petroleum Contracts
M. Dompig	Manager Marketing (Acting)
J. Gajadin-Joella	Manager Corporate Legal Affairs
W. Gajapersad	Manager Refining Operations
V. Gangaram Panday	Manager Corporate Planning & Control
P. Goerdajal	Manager Drilling Operations
T. Haarloo	Manager Corporate HRM
C. Hughes	Refinery Assets Manager
K. Kalijan	Manager HRM Downstream
D. Kertotiko	Manager Technical Support Services
K. Lie A Kwie	Manager Health, Safety & Environment Downstream
S. Mannes	Manager Health, Safety, Environment & Quality Corporate
B. Nandlal	Manager Functional Subsurface Support
A. Nelson	Manager Exploration
D. Pello	Manager Technical Sevices
R. Ramautar	Manager Renewable Energy Sources
A. Ramsaransingh-Karg	Manager Procurement Corporate
A. Schuitemaker-Ngholло	Manager Production Unit TNW/Calcutta
A. Sleman	Manager Information & Communication Technology
R. Soekhlal	Manager Health, Safety & Environment Upstream
R. Speelman	Manager Procurement Upstream
R. Spuij	Manager Exploration & Appraisal Asset
A. Vermeer	Manager Finance Administration
M. Woelkens	Manager Procurement Downstream

Manager assigned

D. Ratchasing	Manager SAP Program

Subsidiaries

L. Brunings	Chief Financial Officer Ventrin Petroleum Company Ltd.
E. Fränkel	Managing Director Staatsolie Power Company Suriname N.V.
A. Ghent	Chief Executive Officer Ventrin Petroleum Company Ltd.
C. Heuvel	Director Finance GOw2 Energy Suriname N.V.
A. Kleiboer	Operations Manager Staatsolie Power Company Suriname N.V.
A. Nai Chung Tong	Managing Director GOw2 Energy Suriname N.V.

II Letter of the Managing Director

The international oil industry has become a commodity market characterized by on-going oil price volatility with an overall lower price for a longer period of time. We cannot control international oil prices, but we do control how we operate our business. In the first half of 2017, we continued to instil a culture of ownership so all employees understand how their efforts contribute directly to the success of Staatsolie.

Crude oil production and refinery output

In the first half of 2017, the average price of our Saramacca Crude was $44.48 per barrel. We experienced challenges in ramping up production, achieving a total crude production of 2,953,463 barrels, equating to 16,319 barrels per day. Wells drilled in 2016 and in early 2017 were at the edges of our production fields and had not reached the desired level of productivity. This was due to factors such as lower pressure and increased oil water contact, fewer wells drilled than forecasted and a lower contribution from new oil wells. We now anticipate achieving production at an average of 16,177 barrels per day rather than at our previous target of 17,000. To preserve and enhance future production, we will be drilling 7 appraisal wells in the second half, which will bring our total appraisal well count for the full year to 14.

At the refinery, the hard work undertaken to improve equipment and processes has delivered results: in the second quarter of the year we exceeded our high-end product target by 35%. Based on our achievement of 1.12 million barrels in the first half of the year and a utilization rate of 66%, we anticipate achieving output of 2.5 million barrels of high-end product for the full year. At a projected average price of $ 69.90 per barrel high-end products, the refinery will make a significant contribution to Staatsolie's success this year and for many years to come.

Mirroring the success at the refinery, I am pleased to report that our Merian gold investment is bringing net profit of US$ 22.6 million in the first half of 2017, with the mine achieving 215,000 oz. of gold production to 30 June at an average price of $1,243 per oz. Forecast production for the full year is 502,000 oz. at an even higher price than in the first half of 2017.

Revenue and earnings
Our consolidated gross revenues in the first half of 2017 increased by 20% to US$ 204.6 million compared to the first half of 2016. We also achieved consolidated earnings before tax of US$ 40.0 million this period, a 381% increase on the 2016 half year. This is a pleasing result and a testament to the efforts of all our people to take ownership of the business and focus on costs.
For the full year 2017, our estimate is that overall consolidated gross revenues will be US$ 472 million.

Offshore
In the Kolibrie-1 well drilled in Block 53 in March/April no commercial hydrocarbons were encountered. Block 53 partners are Apache Corporation (operator), CEPSA and Petronas.

In July 2017, Product Sharing Contract's (PSC's) were signed for offshore Block 59 (with a consortium of ExxonMobil, Hess Corporation and Statoil) and Block 60 (Statoil), bringing our total offshore acreage under contract to 44%.

Activities planned for the second half of 2017 include the Araku-1 well to be drilled by Tullow Oil in Block 54, 3D seismic by mid-October in Block 47, and 2D seismic by Statoil in Block 60. This work will continue to enhance our understanding of our offshore geology.

On 15 September 2017 we commenced another Open Door Policy for offshore Suriname to attract additional acreage partners.

In the shallow nearshore, we continue to look for farm-in partners in Block B and Block C. As a parallel strategy, we are currently also exploring the possibility of undertaking exploration activities on our own accord in these shallow waters. We aim to fund these activities with capital freed up by refinancing our outstanding US$ 286 million corporate loan, with a refinancing target date of year end 2017/early 2018.

A business driven by values
In preparing Staatsolie for a commercial offshore discovery by one of our PSC partners and remaining a lowest cost quartile producer, we have to ensure Staatsolie has the right people in the right roles at all times. We are therefore putting several policies and programs in place, such as capabilities assessments and 360 degree feedback, job rotation, secondments to our offshore partners and succession planning, together with coaching and mentoring. Also, the Culture Change program is being conducted to imbed integrity, excellence, accountability and performance management in our daily operations. With this program we want to secure the maximum value from the reorganisation of Staatsolie into an asset-led business.

Our number one value is to put health and safety first, strive for zero harm to our people and the communities around us, and minimize negative impacts upon the environment. We have had to report two Lost Time Injury (LTI) incidents, neither of these life-changing. We must redouble our efforts to achieve our goal of zero incidents by supporting our employees and a clear understanding of how each of us contributes to Staatsolie's safe operations. To this end, we will be focussing on leading HSE indicators instead of lagging indicators. With regard to communities, we are shifting our Corporate Social Responsibility (CSR) focus towards the areas we operate in.

The positive attitude of our team and the success we are having from our new business model gives me great hope for our future. Maintaining crude production above 16,000 barrels per day, and meeting the refinery output targets, we are well positioned as we enter the second half of 2017.

Thank you!

Rudolf Elias
Managing Director & CEO
Staatsolie Maatschappij Suriname NV

The positive attitude of our team and the success we are having from our new business model gives me great hope for our future.

Taking a Saramacca Crude sample in the Tambaredjo-Northwest field.

III Independent Auditor's Report

The Shareholder and Supervisory Board of Staatsolie Maatschappij Suriname N.V.
Paramaribo, Suriname

Qualified Opinion

We have audited the accompanying condensed interim consolidated financial statements 2017 of Staatsolie Maatschappij Suriname N.V. and its subsidiaries (the Group), in Paramaribo, which comprise the interim consolidated balance sheet as at June 30, 2017, and the related interim consolidated income statement, changes in shareholder's equity and cash flows for the six months ended June 30, 2017 and notes to the condensed interim consolidated financial statements.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying condensed interim consolidated financial statements 2017 give a true and fair view of the financial position of the Group as at June 30,2017, and of its interim consolidated financial performance and its interim consolidated cash flows for the six months then ended in accordance with U.S. generally accepted accounting principles.

Basis for Qualified Opinion

Staatsolie Maatschappij Suriname N.V.'s (Staatsolie) investment in Suriname Gold Project C.V. (Surgold), a limited partnership engaged in the exploration, development and extraction of gold under mining concessions granted by the Republic of Suriname with commercial gold production commenced in October 2016 and accounted for at the equity method, is carried at USD 295,027 thousand on the interim consolidated balance sheet as at June 30,2017, and Staatsolie's share of Surgold's net result of USD 22,641 thousand is included in the Group's income for the six months ended June 30, 2017. The annual financial statements of Surgold are being audited by another independent accounting firm. There are no available audited financial statements of Surgold as at and for the six months ended June 30, 2017. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Staatsolie's investment in Surgold as at June 30, 2017, and Staatsolie's share of Surgold's net result for the period because we do not have access to the financial information, management, and the auditors of Surgold. Consequently, we were unable to determine whether adjustments to these amounts were necessary. We refer to Note 5 of the condensed interim consolidated financial statements 201 7.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Condensed Interim Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the condensed interim consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

Management is responsible for the other information included in the 2017 half-year report. In addition to the condensed interim consolidated financial statements and our auditor's report, the half-year report contains other information that consists of the Letter of the Managing Director, and Other information.

Our opinion on the condensed interim consolidated financial statements does not cover the other information included in the half-year report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the condensed interim consolidated financial statements, our responsibility is to read the other information included in the half-year report when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the condensed interim consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Based on the procedures performed, the other information included in the half-year report is not materially inconsistent with the condensed interim consolidated financial statements and appears not to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Condensed InterimConsolidated Financial Statements
Management is responsible for the preparation of these condensed interim consolidated financial statements that give a true and fair view in accordance with U.S. generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing these condensed interim consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Condensed Interim Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the condensed interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these condensed interim consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the condensed interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and whether the condensed interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed interim consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Paramaribo, October 24, 2017
Lutchman & Co Accountants

was signed by
Drs. M.R.A. Lutchman RA, chartered accountant

View on the refinery from the SPCS power plant.

Condensed Interim Consolidated Financial Statements 2017

IV Condensed Interim Consolidated Financial Statements

1. Condensed Interim Consolidated Balance Sheet as at June 30, 2017

(Before distribution of earnings)(x US$1,000)

ASSETS	Notes	As at June 30, 2017	As at Dec 31, 2016
Current assets			
Cash and cash equivalents		74,940	39,166
Short term investments		3,708	3,754
Trade receivables	4	126,119	108,329
Inventories		66,099	67,142
Prepaid expenses and other current assets		78,984	68,664
Short term Loan Receivables		10,202	8,368
		360,052	295,423
Investments			
Participation in Joint Ventures		3,063	3,063
Participation in Suriname Gold Project CV	5	295,027	305,656
		298,090	308,719
Intangible assets		12,880	13,881
Deferred tax asset	6	16,197	16,062
Loan receivable long term		12,842	14,677
Property, plant and equipment			
Upstream		393,060	336,530
Refining		990,268	999,152
Marketing & trading		9,410	10,101
Power plant		96,840	101,172
Corporate & other		36,777	37,181
		1,526,355	1,484,136
Projects in progress		125,484	132,140
		1,651,839	1,616,276
Total assets		**2,351,900**	2,265,038

The notes in Chapter V are an integral part of these Condensed Interim Consolidated Financial Statements

Paramaribo, October 24, 2017

LIABILITIES	Notes	As at June 30, 2017	As at Dec 31, 2016
Current liabilities			
Trade payables		83,452	91,994
Bank overdraft		3,713	3,713
Accrued liabilities		129,435	87,042
Income and other taxes payable		30,295	16,014
Short term portion of loans		87,385	69,031
		334,280	267,794
Long term liabilities			
Bond	7	98,572	98,475
Term Loans	8	546,290	591,646
Other long term liabilities		6,847	6,544
		651,709	696,665
Provisions			
Dismantlement and abandonment		175,807	132,933
Pensions & other postretirement benefits	9	16,749	16,037
Pension plan	10	34,262	34,234
Environmental Risk		3,016	3,016
		229,834	186,220
Shareholder's equity		1,136,077	1,114,359
Total Liabilities & Shareholder's equity		**2,351,900**	2,265,038

The notes in Chapter V are an integral part of these Condensed Interim Consolidated Financial Statements

Paramaribo, October 24, 2017

2. Condensed Interim Consolidated Income Statement for the six months ended June 30, 2017
(x US$1,000)

	Notes	Jan - Jun 30 2017	Jan - Jun 30 2016
Revenues from			
Production & Refining		110,003	70,935
Trading activities		69,921	80,304
Electric energy		24,331	17,293
Inventory variation		168	939
Other revenues		138	1,296
Gross revenues	13	204,561	170,767
Exploration expenses including dry holes		(663)	(875)
Production expenses		(22,751)	(23,495)
Refinery expenses		(23,449)	(23,282)
Depreciation/Amortization		(48,076)	(50,228)
Accretion expenses		(5,636)	(3,623)
Export , transport and sales costs		(11,764)	(11,805)
Trading & Other operational costs		(26,927)	(43,126)
Operating income		65,295	14,333
General and administrative expenses		(11,460)	(11,323)
Expensed Projects		-	(50)
Financial income(expenses)		(33,741)	(17,598)
Other income(expenses)		(2,701)	(140)
Share in net result of investment Suriname Gold Project CV*)		22,641	-
Earnings before tax		40,034	(14,778)
Income tax charge	14	(13,778)	(2,924)
Net profit		**26,256**	(17,702)

*) The share in net income recognized for the six months ended June 30, 2017 was based on unaudited figures of Suriname Gold Project CV

The notes in Chapter V are an integral part of these Condensed Interim Consolidated Financial Statements

Paramaribo, October 24, 2017

3. Condensed Interim Consolidated Statement of Changes in Shareholder's Equity for the six months ended June 30, 2017

The movement for the six months ended June 30, 2017 consists of the following:

X US$ 1,000	Common stock	General reserve	Appropriated reserve for environmental risk	Appropriated reserve Committee Rehabilitation and Expansion of Sports facilities	Accumulated net other comprehensive income	Total
Balance as at January 1, 2016	**12,104**	**1,117,675**	**8,000**	**3,360**	**(22,384)**	**1,118,755**
Equity movements:						
Transfer from earnings	-	5,294	-	-	-	5,294
Prepaid pension benefits	-	(72)	-	-	-	(72)
Currency translation adjustment	-	-	-	-	(3,158)	(3,158)
Allocation / (Withdrawal) [1]	-	-	500	(744)	(6,217)	(6,461)
Balance as at December 31, 2016	12,104	1,122,897	8,500	2,616	(31,759)	1,114,359
Equity movements:						
Transfer from earnings	-	26,045	-	-	-	26,045
Prepaid pension benefits	-	38	-	-	-	38
Currency translation adjustment	-	-	-	-	(4,546)	(4,546)
Allocation / (Withdrawal) [1]	-	-	250	(39)	(30)	181
Balance as at June 30, 2017	**12,104**	**1,148,981**	**8,750**	**2,577**	**(36,335)**	**1,136,077**

[1] Allocation/ (Withdrawal) consists of the following items:

- Allocation to appropriated reserve for environmental risks: US$ 250,001.
  Annually, an amount of US$ 500,000 is allocated for environmental risks. As at June 30, 2017, the appropriated reserve for environmental risks amounted to US$ 8.8 million.
- Withdrawal from appropriated reserve Committee Rehabilitation and Expansion of Sports facilities: US$ (39,115.1).
- Withdrawal from accumulated net other Comprehensive Income: US$ (29,606.9). See note 4 for the breakdown of this amount.

4. Condensed Interim Consolidated Statement of Other Comprehensive Income as at June 30, 2017

X US$ 1,000	Pensions & other postretirement benefits	Unrealized gains and losses short term investments	Foreign Currency Translation Adjustment	Total
Balance as at December 31, 2016	(46,584)	1,921	(3,158)	(47,821)
Current period change excluding amounts reclassified from accumalted other comprehensive income	(38)	(30)	(4,546)	(4,614)
Balance as at June 30, 2017	**(46,622)**	**1,891**	**(7,704)**	**(52,435)**
Tax on amounts recognised/ reclassified	16,775	(675)	-	16,100
Total, net of tax as at June 30, 2017	**(29,847)**	**1,216**	**(7,704)**	**(36,335)**

5. Condensed Interim Consolidated Cash Flow Statement for the six months ended June 30, 2017

X US$ 1,000	Jan-Jun 30 2017	Jan-Jun 30 2016
Operating activities		
Net earnings	26,256	(17,702)
Depreciation/Amortization	48,076	23,282
In(de)crease in income and other taxes payable	13,324	(2,722)
In(de)crease in trade payables	(8,542)	(23,849)
In(de)crease in bank overdraft	-	1,347
In(de)crease in accrued liabilities	42,397	3,069
(In)decrease in receivables	(17,781)	(6,938)
De(in)crease in inventories	1,043	(15,446)
In(de)crease in pension plan	28	(857)
In(de)crease in dismantlement and abandonment	42,874	4,277
In(de)crease in provision for pensions and other post retirement benefits	712	584
In(de)crease in deferred tax asset	(135)	2,310
In(de)crease in prepaid expenses and other current assets	(9,376)	20,156
In(de)crease in short-term investments	46	2,988
	138,922	**(9,501)**
Investing activities		
Investment in property, plant and equipment	(82,641)	19,722
Disinvestment in property, plant and equipment	4	39
(In)decrease in Participation Suriname Gold Project CV	10,629	(16,833)
(In)decrease in loan receivables	1	(26,837)
	(72,007)	**(23,909)**
Financing activities		
In(de)crease in 7,75% bond	97	197
In(de)crease in term loans	(27,003)	16,669
In(de)crease in other long term liabilities	303	-
In(de)crease in general reserve	(9,155)	8,408
In(de)crease in appropriated reserve 'Committee Rehabilitation and Expansion of Sports Facilities	39	(744)
In(de)crease in net other comprehensive income	4,548	7,355
In(de)crease in unrealized gains and losses short-term investments	30	2,020
	(31,141)	**33,905**
Net cash flow	35,774	495
Cash and cash equivalents at end of previous period	39,166	54,064
Cash and cash equivalents at end of current period	**74,940**	**54,559**

V Notes to the Condensed Interim Consolidated Financial Statements

General Information

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 petroleum products. Through its subsidiary (SPCS), Staatsolie is engaged in electric power generation.

Staatsolie has four (4) subsidiaries of which three (3) wholly owned: Paradise Oil Company N.V. (POC) and GOw2 Energy Suriname N.V. incorporated in the Republic of Suriname and Ventrin Petroleum Company Limited, a bunkering company incorporated in the Republic of Trinidad and Tobago.
Staatsolie holds 102,999 out of 103,000 shares of the Staatsolie Power Company Suriname N.V. (SPCS), incorporated in the Republic of Suriname, and the local electricity company N.V. EBS holds one share.
Furthermore, as of November 2014 Staatsolie has a interest of 25% in the Suriname Gold Project CV ('Surgold'), a limited partnership created between Newmont Suriname LLC and Staatsolie. POC is, at the moment, a dormant company. In June 2015, the operations of POC were put on hold and the company did not have any activity during the reporting period of 2017. In the future POC will participate in Joint Venture opportunities with third parties.

1 Summary of Accounting Policies

Principles of consolidation

These consolidated financial statements include the accounts of subsidiaries for which Staatsolie has control. The consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (US GAAP) for the oil and gas industries in particular. The financial data of Staatsolie and its subsidiaries are consolidated under elimination of intercompany balances, sales and purchases.

Foreign currency transactions and translation

Until December 31, 2015, the US dollar was the functional currency and also the reporting currency of all of the company's consolidated operations and its equity investment. Gains and losses arising from foreign currency denominated transactions are generally recognized in the current period income.
Gains and losses from currency remeasurement are included in the current period income with reference to the applicable buying rates as published by the Centrale Bank van Suriname. The cumulative translation effect of a consolidated subsidiary using functional currency other than the US dollar are included in 'Currency translation adjustment' on the Consolidated Statement of Changes in Equity.

Cash and cash equivalents

Cash includes not only currency on hand but demand deposits with banks or other financial institutions. Cash equivalents are short term, highly liquid investments with maturities of three months or less when acquired, which have an insignificant risk of changes in value.

Short-term investments

Short-term investments are stated at market value and are classified as available for sale.
The market value of shares is derived from the value quoted by the 'Effectenbeurs van Suriname' (Stock Exchange of Suriname). The unrealized gains and losses on short term investments, after deduction of deferred income taxes, are recorded under the shareholder's equity. US GAAP allows that the net unrealized gains and losses on short term investments are recorded in the shareholder's equity as part of the accumulated net other comprehensive income. The sale proceeds of these securities available for sale, shall be recorded by a debit to cash, and a credit to remove the security at its market value. The other comprehensive income, representing the unrealized gain or loss at the date of sale is reversed into earnings, and the deferred tax accounts are adjusted.

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 period 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 an allowance 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.

Participation in joint ventures
The participation in Joint Ventures is recorded at cost.

Equity investments
Equity investments are accounted for using the equity method.

Intangible Assets
Goodwill
To the extent that the cost of acquiring an equity investment exceeds the fair value of the net assets acquired, the excess is recorded as goodwill. In general goodwill is evaluated for impairment on at least an annual basis.

Other intangible assets
This relates to capitalized computer software with a finite life which is valued at cost and amortized on a straightline basis over the estimated useful life. Capitalized software includes internal and external costs incurred directly related to the implementation of the software. We make judgements about the recoverability of purchased finite lived intangible assets whenever events or changes in circumstances indicate that an impairment may exist. Recoverability of finite lived intangible assets is measured by comparing the carrying amount of the asset to the future discounted cash flows that the asset is expected to generate. In general other intangible assets are evaluated for impairment on at least an annual basis.

Property, plant and equipment

Exploration and production development
Staatsolie utilizes the successful efforts method to account for expenditures incurred on exploration and production activities. Exploration costs incurred (drilling costs and material fixed assets) are initially recorded under projects in progress, pending determination of whether the wells found proved reserves.

If proved reserves are found, the recorded costs of drilling the well are reclassified to Evaluated properties and amortized on a UPM basis.

Costs are also recorded under Projects in progress for exploratory wells that have found crude oil reserves even if the reserves cannot be classified as proved when the drilling is completed, provided that the exploratory wells have found a sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress assessing the reserves and the economic and operating viability of the project.The evaluation of the exploratory wells is made twice a year. Exploratory well costs not meeting these criteria or if the company obtains information that raises substantial doubt about the economic of operational viability of the project, the exploratory well would be assumed to be impaired, and its costs, net of any residual value, would be charged to expense.

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.

All costs for development wells, related plant and equipment, and related asset retirement obligation (ARO) are capitalized. Capitalized costs relating to investments in the oil field, including productive land properties, are depreciated based on the Unit of Production Method (UPM), generally by individual field, as the proved developed reserves are produced. The UPM factor is derived from the year oil production and the related proved developed oil reserves.

Refinery, power plant and other fixed assets
The refinery, power plant and other fixed assets are valued at cost. The capitalized costs of these assets are depreciated on a straightline basis, taking into account the estimated useful lifetime of the assets.

Projects in progress
Projects in progress relates to work in progress, for which at the date of completion the cost is capitalized to the appropriate category of property plant and equipment. Projects in progress is not depreciated.

Capitalized borrowing cost

Interest costs incurred to finance expenditures during the construction phase of multiyear projects are capitalized as part of the historical cost of acquiring the constructed assets. The project construction phase commences with the development of the detailed engineering design and ends when the constructed assets are ready for their intended use. Capitalized interest costs are included in property, plant and equipment and are depreciated over the service life of the related assets. Capitalized interest costs can also be included in equity investments.

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets of cashgenerating units are written down to their recoverable amount.

Current liabilities

This relates to shortterm obligations which are payable within one year, and are recorded at their nominal values.

Loan and debt arrangement fees

The term loan and the bonds are recorded at historical cost. US GAAP requires that debt arrangement fees which consist of the upfront fees and consultancy costs should be capitalized and amortized as expense over the duration of the loan. The loans are presented net of unamortized debt arrangement fees. The outstanding balance of loan which is payable within one (1) year from the balance sheet date is presented as shortterm liabilities, and the remaining balance is presented as longterm liabilities.

Deferred income taxes

Income tax expense comprises both current tax and deferred tax. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards.

Deferred tax assets and liabilities are calculated using enacted tax rates that will apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is provided if it is more likely than not that deferred tax assets may not be realized in full.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Provision for dismantlement and abandonment / Asset Retirement obligations

This provision regards the expected costs of the dismantlement of the production field, the related production facilities, the pipelines (Saramacca-Tout Lui Faut), 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. US GAAP requires that the accretion expense resulting from the change in the passage of time in the asset retirement obligation (ARO) should be recorded as period cost in the income statement under the operating expenses.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 straightline method. The period for allocation is based on the expected moment of dismantling.

Provision for pensions and other postretirement benefits (OPEB)

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.

Provision for environmental risk

Liabilities related to future remediation costs are recorded when environmental assessments or cleanups or both are probable and the costs can be reasonably estimated.

According to Staatsolie's policy, which is based on international accepted Environmental, Health and Safety (EHS) standards for petrol stations and national regulations (NIMOS), an environmental provision is recorded for GOw2 Energy Suriname N.V.. The environmental provision is measured at the expected value of future cash flows. The expected value is not discounted to their present value, because the discounted present value does not significantly deviate from the expected value.

Earnings per Share
Since Staatsolie has a simple capital structure with no potential common shares, only the basic earnings per share applies (EPS). The calculation is based on income available to common stockholders divided by the weighted –average number of common shares outstanding during the period.

Revenues
Revenues consist of the sales of petroleum products, electric energy and trade activities of petroleum products. Petroleum products are generally being sold under shortterm agreements at prevailing market prices. In some cases, products may be sold under longterm agreement with periodic price adjustments. Revenues are recognized when products are delivered, which occurs when the customer has taken title and has assumed the risks and rewards of ownership, prices are fixed or determinable and collectibility is reasonably assured.

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'.

Expenditures
Expenditures are recognized in the year inccurred.
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 trading activities and electric energy are recorded as 'other operational costs'.

Income tax
Income tax expense comprises both corporation tax and deferred tax. Income taxes are computed on the financial results as shown in the income statement.

2 Accounting Standards and Interpretations

The consolidated financial statements are prepared in accordance with US GAAP for oil and gas industries in particular. With regard to the accounting policy of Staatsolie the new standards/amendments of 2015 have been evaluated. As a result the new standards/amendments of 2015 are not applicable, or where applicable the adoption of the standards did not have a material impact on the company's financial statements.

3 Reclassification of Financial Statements

Certain accounts in 2016 have been reclassified to conform with 2017 presentation.

4 Trade receivables

The trade receivables amounting to US$ 126.1 million (2016: US$ 108.3 million) include a provision for doubtful accounts of US$ (6,252,789) of which US$ (5,755,704) for Staatsolie and US$ (497,085) for the subsidiaries (2016: US$ 5,702,774 for Staatsolie and US$ 497,085 for the subsidiaries).

5 Participation in Suriname Gold Project CV

On 14 November 2014 Staatsolie entered as limited partner with an interest of 25% into the partnership 'Suriname Gold Project C.V.'. Newmont Suriname LLC, a subsidiary of Newmont Mining Corporation, is the managing partner with a 75% interest in this partnership.
The Suriname Gold Project C.V. encompasses the exploration, development and exploitation of the gold mine 'Merian', which is a gold deposit located in the eastern part of Suriname close to the French Guyana border. Construction of the Merian Gold project (the current mine) began after the right of exploitation was granted. Suriname Gold Project C.V. commenced commercial gold production October 1, 2016.

Taken into account the structure and control of this partnership, Staatsolie's interest is accounted at net equity value. The participation amounted to US$ 295,026,979 as at 30 June 2017 (2016: US$ 305,655,621); a positive result from participating interests of US$ 22,640,555 in 2016 and the Government contribution amounted to US$ 67,252,948 (2016: US$ 63,087,065).

The contribution of the Government of Suriname is based on their intent to acquire not more than 5% of Staatsolie's participation interest in Suriname Gold Project C.V. The contribution is recognized as a current account with GoS.
The participation in Suriname Gold project CV as at 30 June 2017, was based on unaudited figures.

6 Deferred tax assets

	As at June 30, 2017	As at Dec 31, 2016
Inventory subsidiaries	97	-
Gains/losses investment in pension plan	16,775	16,754
Gains/losses from shares	(675)	(692)
Net deferred tax asset/(liability)	**16,197**	**16,062**

7 Bond

The five year 7% unsecured coupon bond matured on May 14, 2015. On this day Staatsolie issued a second five year 7.75% unsecured coupon bond and raised US$ 99.1 million. The maturity date of this second bond is May 14, 2020. Interest will be paid semi-annually on May 14 and November 14 each year.

As of June 30, 2017, unamortized debt arrangement fees amounted to US$ 0.6 million. The amortization of debt arrangement fees for the reporting period of 2017 amounted US$ 0.1 million and is presented under financial expenses under the company's income statement.

8 Term Loans

DSB loan facility
This regards a bullet loan of € 8.7 million obtain in June 2016. The maturity date of the loan is 30 December 2017. The interest is being paid on a quarterly basis. A parcel of land was given as a collateral to the bank.

Secured long term loan
On September 28, 2015 Staatsolie refinanced the Corporate loan for the total amount of US$ 600 million. The total loan amount consists of US$ 575 million term loan and US$ 25 million revolving loan. Repayment of the term loan is planned for 13 quarterly installments, to commence in the fourth quarter of 2016. On November 16, 2016 Staatsolie refinanced and prepaid the Corporate loan for the total amount of US$ 294 million. This prepayment included the first quarterly installment of 2016. The outstanding Corporate loan as of June 30, 2017 amounted to US$ 286 million. The outstanding amount consists of US$ 261 million term loan and US$ 25 million revolving loan. A new amortization schedule is agreed and the last repayment is due in November 2019 with a bullet payment.

With regard to the term loan, the financial institutions required security for Staatsolie's payment obligations. The security mainly consists of the offshore receivables and the receivables out of the Merian Gold Project. Staatsolie also has to comply with several affirmative and negative covenants. As of June 30, 2017 Staatsolie is in compliance with the covenants of the loan agreement.

As of June 30, 2017, unamortized debt arrangement fees amounted to US$ 8.3 million (2016: US$ 10.0 million). The amortization of debt arrangement fees for the reporting period of 2017 amounts US$ 1.7 million (2016: US$ 3.2 million) and is presented under financial expenses under the company's income statement.

Loan SPCS
In September 2013, SPCS closed a seven (7) year term loan with Credit Suisse for the expansion of the power plant. November 17 2014, SPCS restated and amended its credit agreement of US$ 74 million to US$ 120 million. The outstanding loan as of June 30, 2017 amounts to US$ 90 million. Repayment of the loan is planned for 24 quarterly installments. In 2017, US$10 million was repaid. The maturity date of the loan is in November, 2021.

Staatsolie acts as guarantor for this loan and will make the repayments in US dollars. As collateral the bank requested 100% of SPCS's fixed assets, all rights and benefits gained in the Power Purchase Agreement (PPA) as well as the establishment of various offshore collateral accounts.

As of June 30, 2017, unamortized debt arrangement fees amounted to US$ 2.0 million (2016: US$ 2.2 million). The amortization of debt arrangement fees for the reporting period of 2017 amounts to US$ 0.2 million (2016: US$ 0.5 million) and is presented under financial expenses in the company's income statement.

Loan Government of Suriname
In november 2016 Staatsolie refinanced the secured long term bank loan with an unsecured loan from the government of Suriname. The loan amounts to US$ 261 million and bears 9.25% interest and a bullet repayment in november 2026. The first interest payment of US$ 12 million was on April 26, 2017.

9 Provision for pensions and other postretirement benefits

	As at June 30, 2017	As at Dec 31, 2016
Unfunded accrued pension benefits, insured pension plan	595	596
Unfunded accrued pension benefits, health care plan	16,154	15,441
	16,749	**16,037**

10 Provision for pension plan

The provision for pension plan to the amount of US$ 34,261,723 (2016: US$ 34,233,686) includes an amount of US$ 103,895 (2016: US$ 112,324) for GOw2 Energy Suriname and US$ 34,157,828 (2016: US$ 34,121,362) regarding the accrued pension cost related to the pension plan for Staatsolie employees, which is managed by the 'Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.'.

Pensions and other postretirement benefits
Staatsolie maintains 3 plans with regard to pensions and postretirement benefits:

- The pension plan for employees, which is managed by the 'Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.';
- The insured pension plan;
- The unfunded health care benefit plan for retired personnel.

	PENSION BENEFITS		HEALTH CARE	
Jan-June	2017	2016	2017	2016
Employer's contribution	(2,532)	(2,444)	-	-
Employee's contribution	(844)	(815)	-	-

	PENSION BENEFITS		PENSION BENEFITS		HEALTH CARE	
Jan-June	2017	2016	2017	2016	2017	2016
Service costs	(3,579)	(3,223)	(14)	(16)	(624)	(453)
Interest costs	(3,129)	(2,811)	(14)	(14)	(487)	(361)
Return on assets	3,504	3,118	-	-	208	197
Unrecognized transition costs	(11)	(11)	-	-	(61)	(60)
Unrecognized prior service costs	(88)	(88)	-	-	-	-
Unrecognized gains/losses	(798)	(806)	32	25	(9)	7
Net pension costs	**(4,101)**	(3,821)	**4**	(5)	**(973)**	(670)

11 Segments and related information

Staatsolie's business covers integrated activities regarding the oil and energy industry. These activities are defined into the following operating segments: upstream, downstream, trading and energy. As defined in the accounting standard for segment reporting ASC 280, these operating segments are the company's reportable segments.
The upstream is responsible for exploring, developing, producing and transporting crude oil to the refinery. The downstream is organized and operates to refine the crude oil, market, sell, and distribute the oil products. The trading segment involves trading fuel products and selling these products to wholesale and retail as well as bunkering customers.

The energy segment operates the 96 megawatt thermal power plant and delivers the electric power to the single source customer, the national electricity company EBS, for further distribution.
These functions have been defined as the operating segments of the company because they are the segments (1) that engage in business activities from which revenues are earned and expenses are incurred; (2) whose operating results are regularly reviewed by the board of executive directors to make decisions about resources to be allocated to the segment and assess its performance; and (3) for which discrete financial information is available. The corporate segment consists of Petroleum Contracts, Business Development, Suriname Gold Project C.V. and all other corporate administrative functions.

Segment reporting Staatsolie (x US$ 1,000)

Segment (Revenues)	Jan-Jun 30 2017	Jan-Jun 30 2016
Upstream	129,109	76,687
Refining & Marketing	171,257	42,737
Trading	75,231	87,954
Energy	31,823	17,293
Total Segment amounts	**407,420**	**224,671**
All Corporate activities (including eliminations)	(202,859)	(53,904)
Total consolidated amounts	**204,561**	**170,767**

Segment (Profit/ (Loss)	Jan-Jun 30 2017	Jan-Jun 30 2016
Upstream	82,569	33,003
Refining & Marketing	(23,402)	(30,160)
Trading	(1,124)	(1,030)
Energy	3,993	4,001
Total Segment amounts	**62,036**	**5,814**
All Corporate activities (including eliminations)	(35,780)	(23,516)
Total consolidated amounts	**26,256**	**(17,702)**

Segment (Assets)	Jan-Jun 30 2017	Jan-Jun 30 2016
Upstream	537,457	478,014
Refining & Marketing	1,100,567	1,163,365
Trading	67,133	66,978
Energy	210,834	152,163
Total Segment amounts	**1,915,991**	**1,860,520**
All Corporate activities (including eliminations)	435,909	404,518
Total consolidated amounts	**2,351,900**	**2,265,038**

Major customers
Revenues from one customer of the downstream segment represent approximately US$ 24.3 million (2016: US$ 21.7 million) of the company’s consolidated revenues.

12 Off balance commitments and contingencies

As at June 30, 2017 the off balance commitments and contingencies consist of the following:

	2017	2018-2022 June	TOTAL
Long-term (sales) contracts	87,392	242,277	329,669
Long-term refinery expansion contract	1,070	2,160	3,230
Operational lease	7,136	5,360	12,496
Claims	(1,905)	-	(1,905)
Study grants	194	585	779
Corporate social investments	127	97	224
Other contracts	3,387	2,772	6,159

13 Net revenues per product

	Jan-Jun 2017		Jan-Jun 2016	
X US$ 1,000	X 1,000 BBLS		X 1,000 BBLS	
Local refined products	2,822	171,257	2,954	114,820
Intracompany sales	(934)	(61,254)	(1,052)	(43,885)
Local refined products (net)	1,888	110,003	1,902	70,935
Trading activities	885	69,921	1,154	80,304
Electric energy *)		24,331		17,293
	2,773	204,255	3,056	168,532
Other sales related revenue				
- inventory change oil stock		168		939
- other revenues		138		1,296
Total gross revenues	**2,773**	204,561	3,056	170,767

*) The generated electric energy as at June 2017 is 168,808,486 kWh. (June 2016: 178,078,166 kWh).

14. Income tax charges

The income tax comprises of

	Jan - Jun 30	Jan - Jun 30
X US$ 1,000	**2017**	2016
Current tax expense or benefit	13,756	2,924
Deferred tax expenses or benefit	22	-
	13,778	2,924

	Jan - Jun 30	Jan - Jun 30
Reconciliation statutory with effective tax rate	**2017**	2016
Suriname statutory income tax rate	36%	36%
Effect of unrecognized credits	-	-
Effective tax rate	33%	13%

Tax losses carry forward

Ventrin has accumulated tax losses of approximately US$ 14.9 million (2016: US$ 15.2 million) available for offset against future taxable profits. These losses have no expiry date in Trinidad and Tobago.

VI Other information

1. Adoption of Financial Statements of the Preceding Fiscal Year

The 2016 Financial Statements were adopted at the General Meeting of Shareholders held on June 30, 2017 and included Management's proposal for the appropriation of the 2016 profit.

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