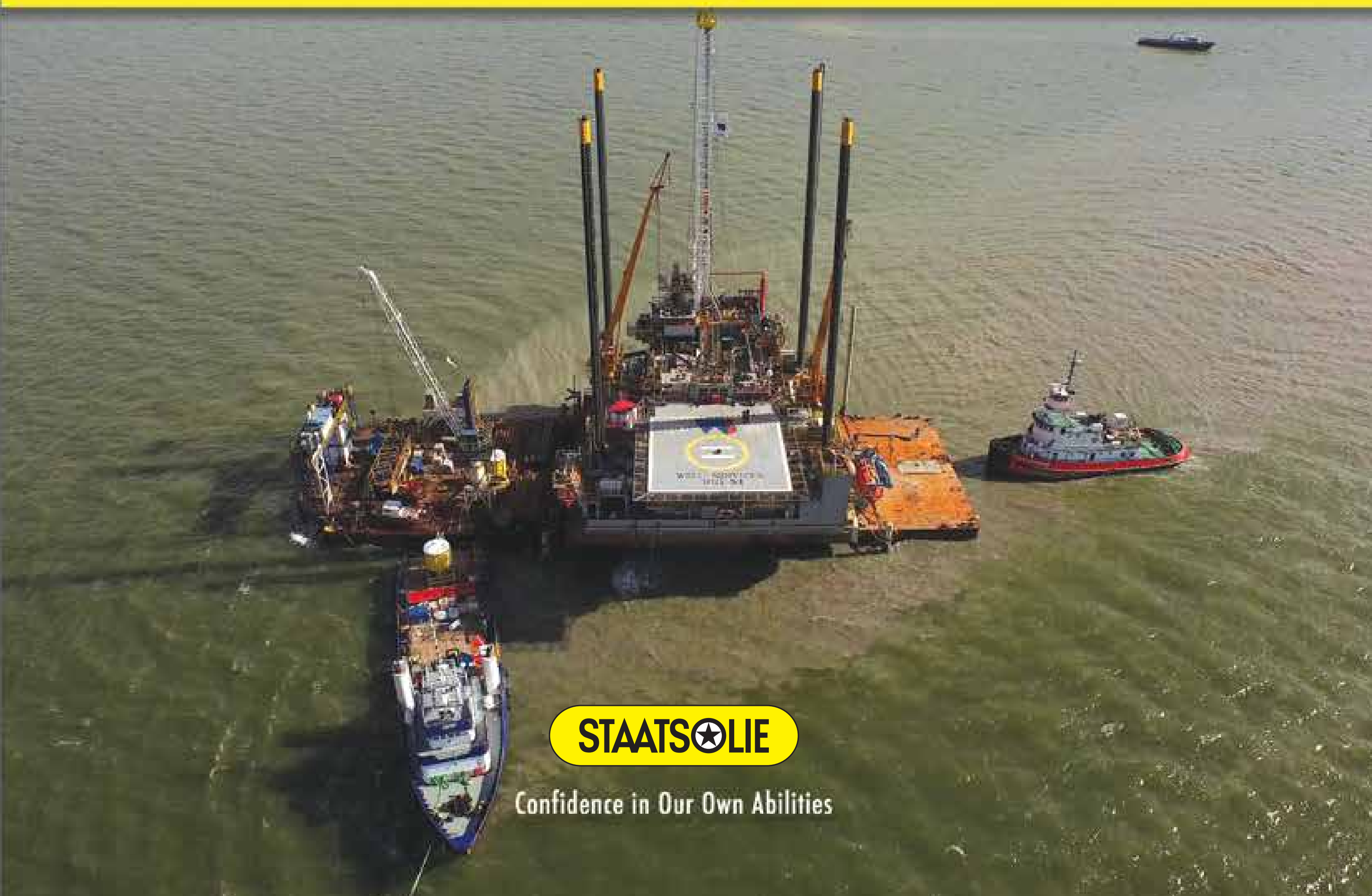
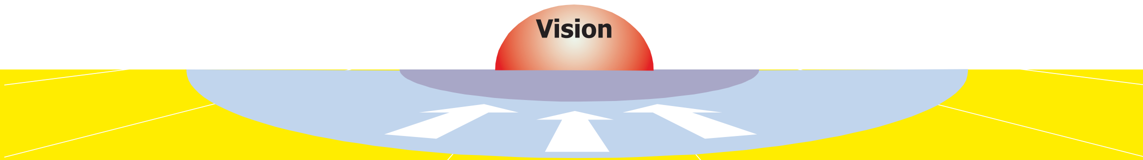
Half-Year Report 2015



STAATSOLIE

Confidence in Our Own Abilities

Staatsolie
Vision 2030



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

1. **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.

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

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

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

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

STAATSOLIE

Content

Shareholder, Supervisory Board, Board of Executive Directors and Management

Sole Shareholder

The Republic of Suriname represented by:
- the President, His Excellency D. D. Bouterse, on his behalf:
- the Vice President, R. Ameerali.

Supervisory Board

E. Boerenveen	Chairman
G. Asadang	Member
R. Graanoogst	Member
E. Poetisi	Member
E. Jozefzoon	Secretary

Board of Executive Directors

R. Elias	Acting Managing Director Director Refining & Marketing
B. Dwarkasing	Director Exploration & Production
A. Moensi-Sokowikromo	Finance Director

Deputy Directors

A. Jagesar	Deputy Director Business Development

Division Managers

D. Brunings	Manager Human Resources Management
L. Brunings	Manager Marketing
H. Chin A Lien	Manager Production Operations
M. Daal-Vogelland	Manager Petroleum Contracts
W. Gajapersad	Manager Technical Services Refinery
P. Goerdajal	Manager Drilling Operations
C. Heuvel	Manager Corporate Audit
C. Hughes	Manager Refinery
V. Jadnanansing	Manager Controlling
J. Gajadien-Joella	Manager Corporate Legal Affairs
W. Jungerman-Gangadin	Manager Corporate Communication
J. Kalpoe	Manager Maintenance & Turnaround Refinery
K. Lie A Kwie	Manager Health, Safety & Environment Refinery
D. Mac Donald	Manager Health, Safety, Environment & Quality
B. Nandlal	Manager Field Evaluation & Development
A. Nelson	Manager Exploration
R. Ramautar	Manager Renewable Energy Sources
M. Refos	Manager Operations Refinery
K. Roepnarain	Acting Manager Procurement
A. Sleman	Manager Information & Communication Technology
A. Tjong A Hung	Manager Engineering & Maintenance Services
M. Woelkens	Manager Business Economics
G. Wong A Sang	Acting Manager Finance Administration

Managers assigned

E. Fränkel	Project Manager Suriname Ethanol & Sugar
T. Ketele	Project Director Refinery Expansion
A. Vermeer	Project Manager ERP

Subsidiaries

P. Brunings	Operations Manager Paradise Oil Company N.V.
A. Ghent	Chief Executive Officer Ventrin Petroleum Company Limited
A. Kleiboer	Operations Manager Staatsolie Power Company Suriname N.V.
A. Nai Chung Tong	Managing Director GOw2 Energy Suriname N.V.

Letter of the Managing Director

I am pleased to welcome you to my first Managing Director's letter and half-year report after assuming this position following the retirement of Marc Waaldijk. It is indeed an honor to lead Staatsolie. I am very aware of the trust the Government and people of Suriname have invested in our business, which makes such an important contribution to our country.

I take on the Managing Director role at a challenging time for our industry with oil prices at their lowest since 2009, suffering from the twin challenge of an easing in China's growth story and the disruptive impact of the United States' success in hydraulic fracturing. Despite these very significant headwinds, I am confident that the solid foundations we have laid down over the past five years and our strategy for the future positions our business extremely well for the opportunities that lie ahead.

We have continued to maintain crude production throughout the first half of 2015 at 17,000 barrels per day. However, despite our consistent production record the dramatically lowered oil price has significantly affected our gross revenue and profit - as it has also affected National Oil Companies, Supermajors and Majors across the industry and the globe.

Our consolidated gross revenues in the first half of 2015 have declined by 41% to US$313.2 million compared to US$531.4 million in the same period in 2014. Consolidated earnings before tax have fallen by 84% to US$37.2 million compared to the first half of 2014. An average net sales price of US$49.88 during the reporting period compared to US$97.65 over the first half of 2014, combined with a daily crude production of 17,000 barrels, underlie these results. Taking this into account, we estimate that our overall gross revenues for 2015 will be approximately US$696.7 million, 34% lower than the US$1,056 million reported in 2014. This projection is based on an estimated average oil price of around US$30 a barrel for the remainder of 2015.

A strategy for robust and sustainable growth

It is important that in these more challenging times, we ensure Staatsolie is sustainably positioned to respond to the new oil price environment. It must continue to build financial and process robustness as well as an ability to seize new opportunities that can add to revenue and profitability in the years and decades ahead. To achieve this I have set in place a simple and clear three pronged strategy:

- A Company-wide commitment to uphold our values and embed accountability across the business.

- Execute our business activities to the highest standards of efficiency, without compromising our commitment to our values.
- Realize the value of Suriname's oil resources through a renewed focus on exploration and production.

Values are at the heart of our business

Our values must not merely be words on a page. They must be embedded in our culture and actively used to measure our success and guide us to excellence. I have an abiding belief that by creating a culture that embraces our values, success will follow.

I am acutely aware that all of us have more work to do, and I deeply regret having to report the death of a young electrical contractor at our Refinery Expansion Project in April this year. This clearly illustrates how essential it is that we all live our values every day: our absolute number one value is putting health and safety first and to strive for zero harm to our people and our surrounding communities. We have studied the cause of this tragic accident and put in place processes to eliminate the risks that caused the fatality. We have also revisited our Health, Safety and Environment record-keeping to ensure employee and contractor safety are given equal priority. Measures have also been put in place to ensure a greater culture of care across the business. In the year ahead, led by myself and the management team, we will emphasize that responsibility for safety and all our business processes rests with every employee and contractor, with accountability core to every persons' role within Staatsolie.

It is important that by living our values we can operate our business sustainably and with strong and on-going community support. In this regard, I am very pleased to report that we had an excellent uptake of our second bond, targeted at the local Surinamese community. We initially aimed to raise US$55 million, however due to strong demand we raised over US$99 million. The overwhelming participation of the community is a clear illustration of their continuing firm belief in our business, despite current unfavorable circumstances in the international oil market. The 7.75% fixed interest bond will finance part of our 2015-2020 US$ 1 billion investment program. This program is focused on Staatsolie upstream activities and more specifically maintaining our daily production of 17,000 barrels of Saramacca crude. The investment program will also secure our 25% participation in the Merian Gold project, a joint venture with Surgold, a subsidiary of Newmont Mining Corporation. The program will be mainly financed from our own resources, supplemented by loans from an international consortium of banks.

Increasing efficiency

Although we cannot affect the oil price and our external operating environment, we have set out actions to reduce our operating- and capital expenditures with the objective of maximising shareholders returns.

In addition to pausing our investment program for the foreseeable future, we are streamlining the business: this year we undertook a review of both our corporate structure and our processes. As a result of this review, we reorganized and streamlined Paradise Oil Company NV (POC). POC will now exclusively focus on joint ventures. This is anticipated to be exclusively in exploration and in blocks and wells where Staatsolie is not the operator. As a result of this re-organisation, we have also reduced inefficiencies by bringing all POC personnel within Staatsolie. In this spirit, we will continue to focus on centralizing our operations to reduce inefficiencies, and are motivating all our employees to identify cost savings wherever possible in accordance with our program to empower our people to make business decisions more rapidly. This will ensure we can execute our programs more cost effectively without comprising our core values.

Driving all our activities will be our focus on ensuring we are both resilient and nimble in a world where oil prices will most likely remain low for the coming years. In conjunction, we will deploy our capital in the most revenue accretive activities.

An upstream focus

In line with our strategy to focus our business on exploration and production (E&P), we started a six month program in June 2015 to drill nine exploration wells in nearshore Block 4. This is a moment of great historic significance, considering it is the first time Staatsolie is solely carrying out exploration activities in the Suriname nearshore area. Pleasingly, we encountered oil in the first two wells, with final results available in the first quarter of 2016. After further appraisal studies we hope to secure a minimum total reserves of 25 million barrels. We estimate that, subject to the oil price environment, commercial production will commence in 2020.

In our offshore area, Apache Suriname Corporation LDC, a subsidiary of Apache Corporation, has drilled an exploration well in Block 53 in the first quarter of 2015. The collected data is now being processed and by year end it should be clear whether commercial hydrocarbon discoveries have been made. A production sharing contract between Apache and Staatsolie was signed in June. Apache additionally acquired the right to carry out exploration and possible production activities in offshore Block 58. Teikoku Oil, a subsidiary of the Japanese Inpex, has plugged and abandoned the Spari-1 well in Block 31 after no significant hydrocarbons were encountered.

As we re-orientate our business to E&P, it is essential that our activities are carried out to best practice standards. I am focused on ensuring that Staatsolie operates in a manner that minimizes our environmental impact and always operates with a culture of zero harm. As we expand our E&P activities we will work to ensure we meet these twin goals, in line with our Values.

Ongoing projects

Unfortunately, our Refinery Expansion Project is behind schedule with the commissioning of production facilities. Although we have mechanically completed the refinery, we still have to run a number of tests to ensure we will deliver premium diesel and gasoline under safe circumstances. Production is anticipated to commence in the last quarter of 2015. The expanded refinery has a production capacity of 15,000 barrels a day. In addition, Staatsolie Power Company Suriname N.V. (SPCS) is preparing to add an extra 34 Megawatt of thermal electricity to the local grid. This will take our generating capacity to a total of 96 Megawatt in the last quarter of 2015.

Embedding future growth

I want to again extend my heartfelt gratitude to Marc Waaldijk, who retired as Managing Director as of 1 May 2015. During his nine year tenure, Staatsolie has made significant progress in transforming from an oil to an integrated energy company. Because of his focus on the downstream activities, including (1) investments in the refinery expansion which when in full production we will gain income from bringing high value light end products to the market, (2) the expansion of SPCS and (3) gaining ground in the Surinamese retail market through GOw2 Energy Company Suriname N.V., we will be represented across the entire Suriname energy chain. We also anticipate that by the end of 2016 we will start to reap the rewards of our investments in the Merian Gold project and that Staatsolie will recoup and profit from its US$300 million investments. We are truly thankful to Marc's vision to expand Staatsolie's portfolio, placing us on very strong foundation for future revenue growth.

Looking forward, I believe we have the strategy, the resources and the people to ensure the ongoing success of our business. The steps we are taking now to reduce expenditure and increase efficiencies will enable Staatsolie to make a valuable contribution to the Government and people of Suriname for decades to come. We are financially robust and well positioned to be both profitable now and exit this – likely to be lengthy - period of low oil prices a strong and sustainable business.

On behalf of the Board of Executive Directors, I express my gratitude to our Shareholder, the Supervisory Board, our employees, contractors and customers.
Thank You!

Paramaribo, September 21, 2015

Rudolf T. Elias
Acting Managing Director

Employees arrive at the refinery at dawn.

Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Executive Directors and Management of Staatsolie Maatschappij Suriname N.V., Paramaribo, Suriname

We have audited the accompanying condensed interim consolidated financial statements 2015 of Staatsolie Maatschappij Suriname N.V., Paramaribo, which comprise the condensed interim consolidated balance sheet as at June 30, 2015, and the related condensed interim consolidated income statement, changes in shareholder's equity and cash flows for the six months ended June 30, 2015 and notes to the condensed interim consolidated financial statements.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these condensed interim consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed interim consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated financial statements give a true and fair view of the financial position of Staatsolie Maatschappij Suriname N.V. as at June 30, 2015, and of its result and its cash flows for the six months ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Paramaribo, September 21, 2015
Lutchman & Co. Accountants
Drs. M.R.A. Lutchman RA, Chartered Accountant

3D seismic activities in the swamps of Tambaredjo North West.

Condensed Interim Consolidated Financial Statements 2015

James Parr, Apache Vice president (left) and acting Staatsolie Managing Director Rudolf Elias after signing the production sharing contract for Block 58.

1. Condensed Interim Consolidated Balance Sheet as at June 30, 2015

(before distribution of earnings)

x US$ 1,000

Assets	**Notes**	**As at June 30, 2015**	As at Dec 31, 2014
Current assets			
Cash and cash equivalents		90,639	115,173
Short-term investments		8,875	8,753
Trade receivables	3	100,608	94,777
Inventories		50,868	40,524
Prepaid expenses and other current assets		43,284	51,088
		294,274	310,315
Loan receivable		2,022	1,966
Investments			
Participation in Joint Ventures		3,064	3,063
Participation in Suriname Gold Project LLC		161,155	128,234
		164,219	131,297
Goodwill		5,447	5,447
Deferred tax asset	4	8,085	8,149
Property, plant and equipment			
Oil properties			
Evaluated properties		285,020	257,272
Pipelines		1,470	1,716
		286,490	258,988
Refinery		316,970	295,536
Power plant		73,668	73,546
Other fixed assets		75,036	75,861
		752,164	703,931
Projects in progress		869,230	826,803
		1,621,394	1,530,734
Total assets		**2,095,441**	1,987,908

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

Paramaribo, September 21, 2015

x US$ 1,000

Liabilities	Notes	As at June 30, 2015	As at Dec 31, 2014
Current liabilities			
Trade payables		51,507	32,619
Bank overdraft		1,793	2,899
Accrued liabilities		41,302	119,434
Income and other taxes		12,619	16,794
Short-term portion of Term Loan		9,152	55,128
		116,373	226,874
Long term liabilities			
Bonds	5	98,959	-
Term Loans	6	600,691	510,521
FCIB long/medium term loan facility		1,328	769
		700,978	511,290
Provisions			
Dismantlement and abandonment		113,562	109,464
Pensions & other postretirement benefits	7	13,515	12,770
Pension plan	8	20,859	22,201
Environmental Risk		2,021	2,220
		149,957	146,655
Shareholder's equity		1,128,133	1,103,089
Total Liabilities & Shareholder's equity		**2,095,441**	1,987,908

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

Paramaribo, September 21, 2015

2. Condensed Interim Consolidated Income Statement for the six months ended June 30, 2015

x US$ 1,000

	Notes	**Jan - Jun 30 2015**	Jan - Jun 30 2014
Revenues from			
Production & Refining		122,902	248,214
Trading activities		167,450	255,005
Electric energy		22,815	28,194
Gross revenues		313,167	531,413
Inventory variation		8,301	8,186
Other revenues		(3,153)	10,082
		318,315	549,681
Less: export-, transport- and sales costs		(10,482)	(10,344)
Net revenues	11	307,833	539,337
Exploration expenses including dry holes		(7,748)	(5,907)
Production expenses		(31,125)	(21,705)
Refinery expenses		(22,039)	(7,988)
Depreciation		(26,819)	(20,867)
Accretion expenses		(3,230)	(2,940)
Other operational costs		(150,006)	(231,097)
Operating income		66,866	248,833
General and administrative expenses		(15,398)	(14,305)
Expensed projects		(278)	788
Financial expense and income		(13,997)	(8,796)
Earnings before tax		37,193	226,520
Income tax charge	12	(10,603)	(70,733)
Net profit		**26,590**	155,787

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

Paramaribo, September 21, 2015

3. Condensed Interim Consolidated Statement of Changes in Shareholder's Equity for the six months ended June 30, 2015

The movement for the six months ended June 30, 2015 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, 2014	**12,104**	**959,785**	**7,000**	**6,966**	**(3,432)**	**982,423**
Equity movements:						
Transfer from earnings	-	270,696	-	-	-	270,696
Dividend declared	-	(137,291)	-	-	-	(137,291)
Prepaid pension benefits	-	1,287	-	-	-	1,287
Adjustment allowances	-	184	-	-	-	184
Allocation / (Withdrawal)[1)]	-	-	500	(957)	(13,753)	(14,210)
Balance as at December 31, 2014	12,104	1,094,661	7,500	6,009	(17,185)	1,103,089
Equity movements:						
Transfer from earnings	-	25,697	-	-	-	25,697
Prepaid pension benefits	-	644	-	-	-	644
Allocation / (Withdrawal)[1)]	-	-	250	(2,083)	536	(1,297)
Balance as at June 30, 2015	**12,104**	**1,121,002**	**7,750**	**3,926**	**(16,649)**	**1,128,133**

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

-Appropriated reserve for environmental risk: US$ 250,000
Annually, an amount of US$ 500,000 is allocated for environmental risks. As at June 30, 2015, the appropriated reserve for environmental risk amounted to US$ 7.75 million

-Appropriated reserve Committee Rehabilitation and Expansion of Sports facilities: US$(2,083,419)

-Accumulated net other comprehensive Income: US$ 536,000
See paragraph 4 on the next page for the breakdown of this amount.

4. Condensed Interim Consolidated Statement of Other Comprehensive Income as at June 30, 2015

x US$ 1,000

	As at June 30, 2015	As at Dec 31, 2014
Balance as at January 1	17,185	3,432
Pensions and other postretirement benefits plans	(715)	13,942
Unrealized (gains) and losses short-term investments	(123)	7,547
Tax effects of items included in other comprehensive income	302	(7,736)
Balance as at June 30	16,649	17,185

x US$ 1,000

Tax effects related to other comprehensive income, for the six months ended June 30, 2015	**Before Tax amount**	**Tax Expense**	**Net of Tax amount**
Pensions and other postretirement benefits plans	(715)	258	(457)
Unrealized (gains) and losses short-term investments	(123)	44	(79)
Other comprehensive income	(838)	302	(536)

5. Condensed Interim Consolidated Cash Flow Statement for the six months ended June 30, 2015

x US$ 1,000	**Jan - Jun 30 2015**	Jan - Jun 30 2014
Cash flow from operating activities		
Net profit	**26,590**	155,787
Depreciation	26,819	20,867
Accretion expenses	3,230	2,940
Amortization of debt arrangement fees	1,546	(134)
Exploration expenses of dry holes	218	(25)
Provisions	(3,224)	(2,921)
Interest on short term investments	1	(6,147)
Accrued interest	1,262	(880)
Deferred taxes	(22)	(733)
Foreign exchange (gain)/loss	152	(27)
Provison for doubtful accounts	(305)	2,197
Operating profit before working capital changes	**56,267**	170,924
Working capital changes (Operating assets)		
Trade receivables and prepaid expenses	9,242	(61,658)
Inventories	(10,560)	572
Trade payables	18,888	8,232
Bank credit facility	(1,106)	(1,575)
Accrued liabilities	(82,471)	(61,395)
Income and other taxes	(4,175)	(46,297)
Pension plan	1,761	1,730
Provision for pensions and other postretirement benefits	1,582	1,724
Net cash flow from operating activities	**(10,572)**	12,257
Cash generated from investing activities		
Proceeds from sale of property, plant and equipment	-	61
Investment in property, plant and equipment	(116,874)	(156,066)
Proceeds from sale of short-term investments	-	7,947
Investments in Suriname Gold Project LLC	(20,760)	-
Net cash flow from investing activities	**(137,634)**	(148,058)
Cash generated from financing activities:		
Proceeds from debt	98,448	250,000
Proceeds from bond	99,138	-
Repayment of debt including repayment through debt restructuring/amendment	-	(135,097)
Repayment of matured 7% bond	(53,018)	-
Payments of debt arrangement fees	(2,408)	(6,575)
Increase in environmental risk	(199)	-
Increase in deferred income taxes	-	-
Changes in general reserve	(644)	78,821
Dividends paid	(15,735)	(70,441)
Committee Rehabilitation and Expansion of Sports Facilities	(2,083)	(186)
Net cash flow from financing activities	**123,499**	116,522
Effects of exchange rate changes on foreign cash balances	173	123
Net decrease in cash and cash equivalents	**(24,534)**	(19,156)
Cash and cash equivalents at beginning of period	**115,173**	133,838
Cash and cash equivalents at the end of period	**90,639**	114,682
Interest paid	13,708	6,785
Income tax paid	17,998	73,247


Stena DrillMAX

The Stena DrillMAX drillship in Block 31 offshore Suriname.

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 oil products.

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 is the main shareholder 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.
In addition, as of November 2014 Staatsolie has a minority interest of 25% in the Suriname Gold Project LLC ('Surgold'), a limited partnership created between Suriname Gold Project Company LLC and Staatsolie.

1 Summary of Accounting Policies

Principles of consolidation

These condensed interim consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles in the United States of America (US GAAP) for the oil and gas industries in particular. These condensed interim consolidated financial statements do not include all the notes of the type normally included in the annual consolidated financial statements. Accordingly, the report should be read in conjunction with the annual report for the year ended December 31, 2014. The accounting policies adopted are consistent with those of previous years.

These condensed consolidated interim financial statements include the accounts of subsidiaries for which Staatsolie has control. The financial data of Staatsolie and its subsidiaries are consolidated under elimination of intercompany balances, sales and purchases.

Reporting and Functional Currency

The US dollar is the reporting currency and also the functional currency. Other currency relates to foreign currencies as well as Surinamese dollar (SRD) transactions.

Currency Translations

In preparing the financial statements, transactions in other currencies are translated at the applicable buying rates derived from exchange rates published by the 'Centrale Bank van Suriname'. At the end of the fiscal year, monetary items in other currencies are translated into US dollars at the applicable year-end exchange rate.

Exploration and production development

Staatsolie utilizes the successful efforts method to account for expenditures 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), 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.

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, generally determined under the last-in, first-out method – LIFO. 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.

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.

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 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 straight-line basis, taking into account the estimated useful lifetime of the assets.

Capitalized interest 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.

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 cash-generating units are written down to their recoverable amount.

Current liabilities

This relates to short-term 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 short-term liabilities, and the remaining balance is presented as long-term liabilities.

Deferred income taxes

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

Asset Retirement obligations

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 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 (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

Net revenues consist of the sales of petroleum products, electric energy and trade activities of petroleum products after deduction of discounts, export charges, and other sales charges. Revenues are recognized in the year in which the goods are delivered and services have been rendered, and when title passes to the customer.

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 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 trading 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.


7,75% VASTRENTENDE
2015-2020 I USD 55 M
STAATSOLIE

Lucia Hanenberg was the first to register for the second Staatsolie bond.

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

2 Accounting Standards and Interpretations

The condensed interim consolidated financial statements are prepared in accordance with the accounting standard for interim reporting ASC 270. The new standards/amendments of 2015 are generally not applicable, or where applicable the adoption of the standards did not have a material impact on the company's financial statements. Items within Property, plant and equipment have been restated in the 2014 comparative figures; 2014 consolidated earnings and shareholder's equity remain unchanged.

3 Trade receivables

	As at June 30, 2015	As at Dec 31, 2014
Trade receivables in USD	66,963	82,769
Trade receivables in other currencies	33,645	12,008
	100,608	94,777

The trade receivables include a provision for doubtful accounts of US$ 8,350,298 of which US$ 7,315,757 for Staatsolie and US$ 1,034,541 for Ventrin. (2014: US$ 8,655,256)

4 Deferred tax assets

	As at June 30, 2015	As at Dec 31, 2014
Balance as at January 1	(8,149)	592
Movement due to:		
Difference between commercial and fiscal calculation of profit	(22)	(728)
Unrealized losses on inventory subsidiaries	(216)	(277)
Unrealized financial gains/(losses) from investment in pension plan and postretirement benefits	258	(5,019)
Unrealized financial gains/(losses) from Shares	-	309
Unrealized financial gains/(losses) from short-term investments	44	(3,026)
Balance as at June 30	**(8,085)**	(8,149)

5 Bonds

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.

6 Term Loans

Secured Corporate loan

On 31 March 2014 Staatsolie refinanced the remainder of the 2010 term loan by closing a new long term loan of US$275 million to fund the current investment program. With respect to the financing of the 25% investment in the Suriname Gold Project, Staatsolie made use of the option to further increase the term loan to US$515 million on 14 April 2015. The total loan amount consists of US$470 million term loan and US$65 million revolving loan. Repayment of the term loan is planned for 12 quarterly installments, to commence in the fourth quarter of 2016. The last repayment is due in November 2019. With regard to the term loan, the financial institutions required security for Staatsolie's payment obligations. This security consist of, among others, the offshore receivables.

Loan SPCS

In November 2014, SPCS increased the 7 year loan with Credit Suisse bank for the expansion of the Power Company with US$36 million. The total balance as of June 30, 2015 is US$110 million. The first two quarterly installments, of which the first repayment of US$4.6 million starts in January 15, 2016, are recorded as short-term debt. Repayment of the loan is planned for 24 quarterly installments. The maturity date of the loan is November 2021. Staatsolie acts as guarantor for this loan. As collateral the bank requested 100% of SPCS fixed assets, all rights and benefits gained in the Power Purchase agreement (PPA) as well as the establishment of various collateral accounts offshore.

7 Provision for pensions and other postretirement benefits

	As at June 30, 2015	As at Dec 31, 2014
Unfunded accrued pension benefits, insured pension plan	552	526
Unfunded accrued pension benefits, health care plan	12,963	12,244
	13,515	12,770

8 Provision for pension plan

The provision for pension plan to the amount of US$20,859,106 (2014: US$22,201,464) includes an amount of US$144,514 (2014: US$ 159,690) for GOw2 Energy Suriname and US$ 20,714,592 (2014: US$ (22,041,774)) 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.

Jan-June	Pension benefits 2015	Pension benefits 2014	Health care 2015	Health care 2014
Employer's contribution	(4,506)	(1,999)	-	-
Employee's contribution	(1,502)	(666)	-	-

	Pension benefits		Insured pension benefits		Postretirement health care	
Jan-June	**2015**	2014	**2015**	2014	**2015**	2014
Service costs	(2,859)	(2,332)	(14)	(16)	(503)	(498)
Interest costs	(2,408)	(2,316)	(12)	(16)	(400)	(474)
Return on assets	2,848	2,557	-	-	184	174
Unrecognized transition costs	(11)	(11)	-	-	(60)	(60)
Unrecognized prior service costs	(88)	(88)	-	-	-	-
Unrecognized gains/losses	(585)	(180)	28	21	-	(25)
Net pension costs	**(3,103)**	(2,370)	**2**	(11)	**(779)**	(883)

9 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 62 megawatt thermal power plant and sells 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 and all other corporate administrative functions.

Segment (Revenues)	**Jan Jun 30 2015**	Jan Jun 30 2014
Upstream	137,040	266,385
Downstream	155,552	297,848
Trading	191,978	299,997
Energy	24,419	28,348
Total Segment amounts	**508,989**	892,578
All Corporate activities (including eliminations)	(190,674)	(342,897)
Total consolidated amounts	**318,315**	549,681

Segment (Profit/ (Loss))	**Jan Jun 30 2015**	Jan Jun 30 2014
Upstream	70,705	220,407
Downstream	(21,240)	9,012
Trading	2,052	1,735
Energy	5,151	6,917
Total Segment amounts	**56,668**	238,071
All Corporate activities (including eliminations)	(30,078)	(82,284)
Total consolidated amounts	**26,590**	155,787

Segment (Assets)	**As at June 30, 2015**	As at Dec 31, 2014
Upstream	494,485	456,072
Downstream	1,086,974	1,100,866
Trading	70,893	100,403
Energy	178,136	166,475
Total Segment amounts	**1,830,488**	1,823,816
All Corporate activities (including eliminations)	264,953	164,092
Total consolidated amounts	**2,095,441**	1,987,908

Major customers

Revenues from one customer of the downstream segment represent approximately US$ 40.2 million (2014: US$ 59.7 million) of the Company's consolidated revenues.

10 Off-balance commitments and contingencies

As at June 30, 2015 the off-balance commitments and contingencies consist of the following:

	2015	**2016 - 2019 June**	**Total**
Long- term (sales) contracts	65,405	47,178	112,583
Long- term refinery expansion contract	38,104	13,520	51,624
Operational lease	8,077	6,703	14,780
Claims	3,977	-	3,977
Study grants	172	556	728
Consultancy Services	1,634	3,279	4,913
Corporate social investments	868	617	1,485


JDC

The drill island of Inpex in Block 31 offshore Suriname.

11 Net revenues per product

x US$ 1,000	**Jan-Jun 2015**		Jan-Jun 2014	
	x 1,000 Bbls		x 1,000 Bbls	
Local refined products	2,848	152,190	2,912	292,698
Intracompany sales	(594)	(29,288)	(476)	(44,484)
Local refined products (net)	2,254	122,902	2,436	248,214
Trading activities	1,601	167,450	1,864	255,005
Electric energy *)		22,815		28,194
Total gross revenues	3,855	313,167	4,300	531,413
Net revenue local refined products after deduction of direct sales costs		302,685		521,069
Other sales related revenue				
- inventory change oil stock		8,301		8,186
- other revenues		(3,153)		10,082
Net sales revenue	**3,855**	**307,833**	4,300	539,337

*) The generated electric energy as at June 2015 is 182,206,124 kWh. (June 2014: 145,561,035 kWh).

12 Income tax charge

The income tax comprises of

x US$ 1,000	**Jan - Jun 30 2015**	Jan - Jun 30 2014
Current tax expense or benefit	10,625	71,466
Deferred tax expenses or benefit	(22)	(733)
	10,603	70,733

Reconciliation statutory with effective tax rate	**Jan - Jun 30 2015**	Jan - Jun 30 2014
Suriname statutory income tax rate	36%	36%
Effect of unrecognized credits	-	-
Effective tax rate	29%	32%

Tax losses carry forward

Ventrin has accumulated tax losses of approximately US$ 14.8 million (2014: US$ 13.2 million) available for offset against future taxable profits. These losses have no expiry date in Trinidad and Tobago.

Income tax holiday
SPCS is enjoying an income tax holiday from February 1, 2006 to February 1, 2016.

VI Other information

1. 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, is placed at the disposal of the General meeting of Shareholders.

First half year 2015

As at June 30, 2015, after deduction of the prepaid pension benefits amounting to US$643,548 and allocation to the reserve for environmental risk of US$250,000, a net profit before distribution of earnings was realized of US$25.7 million. Distribution of earnings will take place in accordance with Article 28 of the articles of association.

2. Adoption of Financial Statements of the preceding Fiscal Year

The 2014 Financial Statements were adopted at the General Meeting of Shareholders held on March 30, 2015 and included Management's proposal for the appropriation of the 2014 profit.


SCS
SCS
CS

3D seismic activities in
Tambaredjo North West.

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