annual report 2011

STAATSOLIE

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STAATSOLIE

The President of the Republic Suriname, his Excellency D.D. Bouterse drove down the first pile for the new refinery.

Vision, Mission and Values

Vision

- Leading the sustainable development of Suriname's energy industry.
- Becoming a regional player with a global identity in the energy market.
- Making a strong contribution to the advancement of our society.

Mission

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

Values

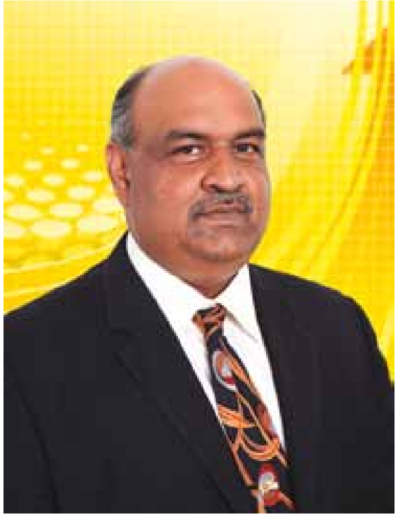
- Excellence: We shall be strong result oriented and strive for continual improvement in everything we do. We shall meet or exceed the product quality that our clients expect.
- Integrity: We shall be honest and transparent in our dealings with employees, clients, suppliers, shareholders and the community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

Contents

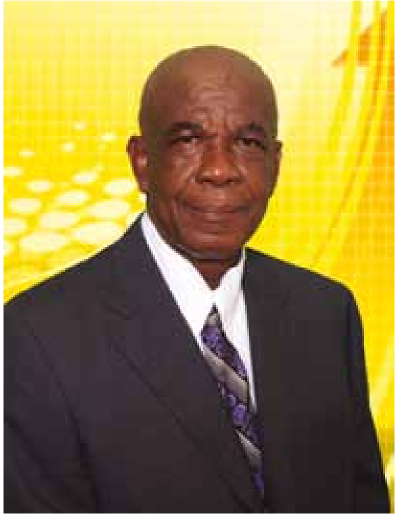
I. Shareholder, Supervisory Board, Board of Executive Directors and Management as at December 31, 2011

Front from left to right: I. Poerschke, M. Waaldijk and G. Sairras.
Back from left to right: S. Murli, R. Elias, B. Dwarkasing, A. Moensi-Sokowikromo and A. Jagesar.

Supervisory Board



Bissumbhar N. - Chairman



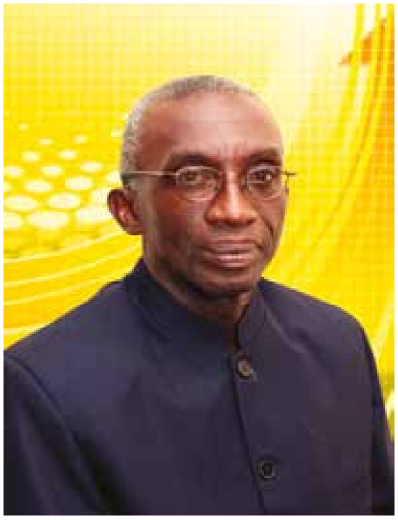
Marica S. - Member

Asadang G. - Member

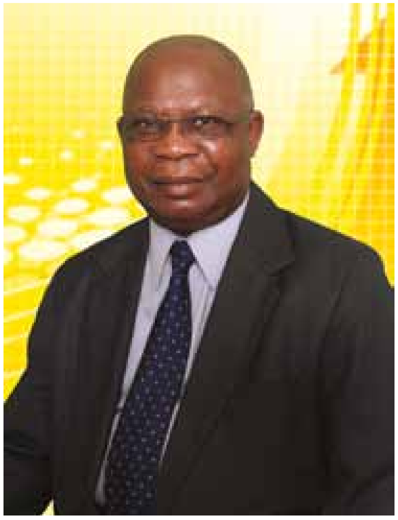
Graanoogst R. - Member

Hilversum A. - Member

Kasantaroeno F. - Member



Poetisi E. - Member



Jozefzoon E. - Secretary

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

Bissumbhar N.	Chairman
Marica S.	Member
Asadang G.	Member
Graanoogst R.	Member
Hilversum A.	Member
Kasantaroeno F.	Member
Poetisi E.	Member
Jozefzoon E.	Secretary

Board of Executive Directors

Waaldijk M.C.	Managing Director
Sairras G.P.	Production & Development Director
Poerschke I.J.	Finance Director

Deputy Directors

Dwarkasing B.	Deputy Director Exploration & Petroleum Contracts
Elias R.	Project Director Refinery Expansion
Jagesar A.	Deputy Director Business Development
Moensi - Sokowikromo A.	Deputy Director Finance
Murli S.	Deputy Director Refining & Marketing

Division Managers

Ali N.	Manager Drilling Operations
Brunings D.	Manager Human Resources
Chang L.	Manager Refining Operations
Daal - Vogelland M.	Manager Petroleum Contracts
Goerdajal P.	Manager Production Operations
Heuvel C.	Acting Manager Corporate Audit
Jadnanansing V.	Manager Controlling
Liems R.	Manager Engineering & Maintenance Services
Mac Donald D.	Manager Health, Safety, Environment & Quality
Nandlal B.	Manager Field Evaluation & Development
Nelson A.	Manager Exploration
Ramautar R.	Manager Renewable Energy Sources
Roepnarain K.	Acting Manager Procurement
Sleman A.	Manager Information & Communication Technology
Vermeer A.	Manager Finance Administration

Managers assigned

Brunings P.	Operations Manager Paradise Oil Company N.V.
Fränkel E.	Manager Hydro
Hughes C.	Operations & Maintenance Manager Refinery Expansion Project
Ketele T.	Project Manager Refinery Expansion
Kleiboer A.	Operations Manager Staatsolie Power Plant
Nai Chung Tong A.	Acting Director Suritex N.V.

II. Letter of the Managing Director

Staatsolie's performance in 2011 was the best in our history. The consolidated gross revenues amounted to an all-time record amount of US$ 782 million, resulting in a profit before tax of US$ 414 million. Contributions to the government budget in the form of tax obligations and dividends were US$ 289 million. Return on equity increased from 40% to 46%.
The record revenues were mainly the result of high oil prices during the reporting year. Oil prices increased significantly due to political unrest and tension in the Middle East, and the continued growth of the economies of India and China. An average product net sales price of US$ 100.53 per barrel was realized in 2011, compared to US$ 71.82 per barrel in 2010.

Staatsolie's Vision 2020 is geared towards a future of sustainable energy for Suriname, as well as towards providing a significant contribution to the advancement of our society. To realize this ambition Staatsolie has mapped out a solid implementation strategy consisting of four phases: 'Foundation for Growth', 'Transition', 'Expansive Growth' and 'Rationalization'.

The 'Foundation for Growth' phase covers the period 2009 - 2012 and consists of six corporate goals:
(1) increasing oil reserves, (2) sustaining crude oil production level, (3) maintaining refinery production level, (4) diversifying the product portfolio through the expansion of the refinery,(5) doubling the electricity generating capacity and (6) securing a robust organization. Preparatory work is being done for the realization of corporate goals of subsequent phases, including the increase of hydrocarbon reserves both near-shore and offshore, the production of bio fuels (ethanol) and the production of hydropower. The pictures in this report show the progress of the activities related to reaching our corporate goals.

The 'Foundation for Growth' phase laid the basis for the formal review of Staatsolie's strategic planning period 2011 - 2015. The review endorsed the major projects in execution and also contributed additional insight by providing a combined value and risk ranked list of these projects.

In 2011, crude production amounted to 5.99 million barrels, an increase of 3% compared to 2010; the highest in the history of Staatsolie.
Exploration activities in Commewijne, Weg naar Zee and Nickerie commenced. The results so far indicate the Weg naar Zee Block as the most mature area, with prospects to declare reserves at the end of 2012.
The initial results in the Uitkijk Block, operated by Paradise Oil Company, are encouraging and further appraisal will take place. Tullow Oil transferred 36.5% of its 40% interest in this block to Paradise Oil. The remaining 3.5% interest was transferred to the Australian based PortSea.
In Coronie one well was drilled, and the first indications support the geological concepts of the area.
Murphy Oil drilled the Aracari 1 well in Block 37 but did not encounter any hydrocarbons. The objectives of the Aitkanti 1 well, operated by Teikoku in Block 31, were met and due to encouraging results the Block will be further evaluated.
Since the discovery of the Zaedyus well in French Guyana, there has been a noticeable increased interest in offshore Suriname. Production sharing agreements were signed with Murphy Oil for Block 48 and with Kosmos Energy for Blocks 42 and 45.

Staatsolie executed a 5,000 km two-dimensional regional seismic survey on the Demerara High.
Based on Article 76 of UNCLOS, Suriname's claim for the extension of the continental shelf to the maximum of 350 nautical miles was successfully concluded in April 2011.

On September 1, Staatsolie officially acquired the assets of the former Texaco / Chevron retail operations in Suriname. This acquisition is of strategic importance in view of our intended production of gasoline and diesel as of 2014.

The Refinery Expansion Project is progressing as planned with a critical milestone reached in June 2011, when a Lump Sum Contract was signed with Saipem, Italy for the Engineering, Procurement and Fabrication.

The Pilot Sugarcane Cultivation Project in Wageningen progressed steadily. The Agricultural Solutions Study including a sugarcane cultivation pilot, an Industrial Solutions Study and an Environmental and Social Impact Assessment are currently in progress. The objective is to prove the feasibility of ethanol production from sugarcane in this area.

At an Energy Top meeting in March 2011, the Government of Suriname gave Staatsolie the go ahead to develop the TapaJai Hydropower project. This project is of great significance for Suriname guaranteeing the country a future of sustainable energy. The goal of the first phase of TapaJai Hydropower project is to add 64 MW of firm hydropower to the Suriname electricity grid by diverting water from the Tapanahoni River into the Brokopondo Lake.

It is with great sadness that I have to announce the passing of our esteemed Director Refining & Marketing, Ben Nuboer, on September 15, 2011. Ben was known for his dedication, insight, perseverance and his positive attitude. He held various positions over his 28 years of employment in both upstream and downstream. The Staatsolie community received news of his passing with much grief.

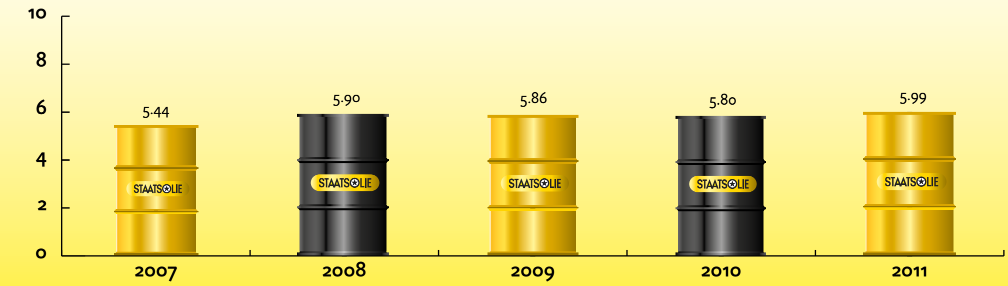
On July 13, 2011, Dr. E. Jozefzoon was appointed as Secretary of the Supervisory Board.
As of March 17, 2012, the representative of the shareholder replaced Mr. N. Bissumbhar by Mr. E. Boerenveen as chairman in the Supervisory Board. We thank Mr. N. Bissumbhar for his valuable contribution and we welcome Mr. E. Boerenveen and Dr. E. Jozefzoon.

Staatsolie's values: excellence, employee focus, integrity, growth, and public spirit, are the touchstones and source of motivation for the Staatsolie family. I am proud to lead this tirelessly dedicated staff to further develop our organization.
On behalf of the Board of Executive Directors, I extend my appreciation to the Shareholder, the members of the Supervisory Board, our employees, customers, and contractors, for their contribution and trust in the future of Staatsolie.

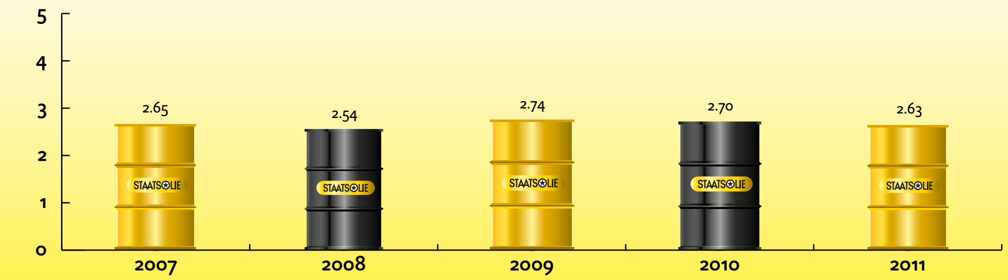
Let us all have 'Confidence in Our Own Abilities!'.

Paramaribo, May 11, 2012
M.C.H. Waaldijk
Managing Director

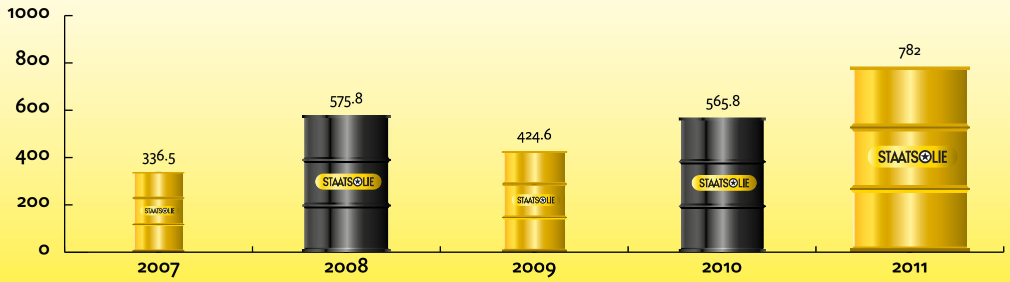
Crude Production (x 1 mln bbls)



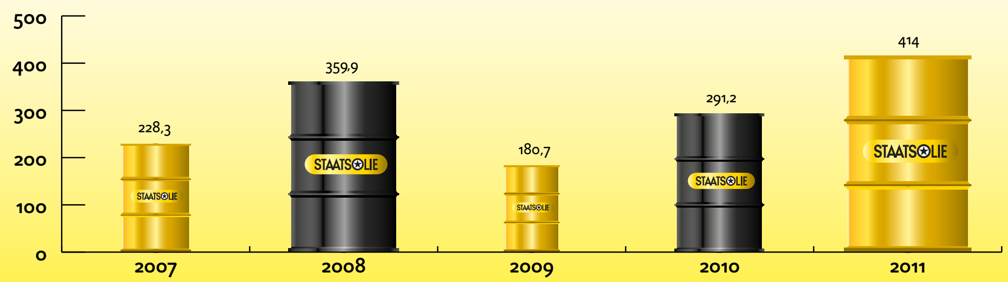
Refinery Production (x 1 mln bbls)



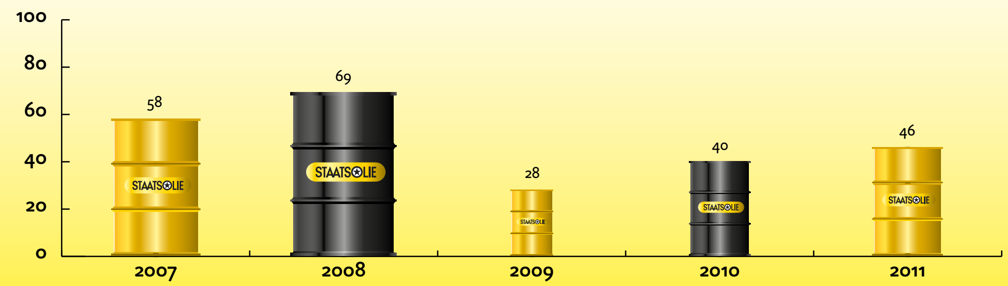
Gross Sales (x 1 mln US$)



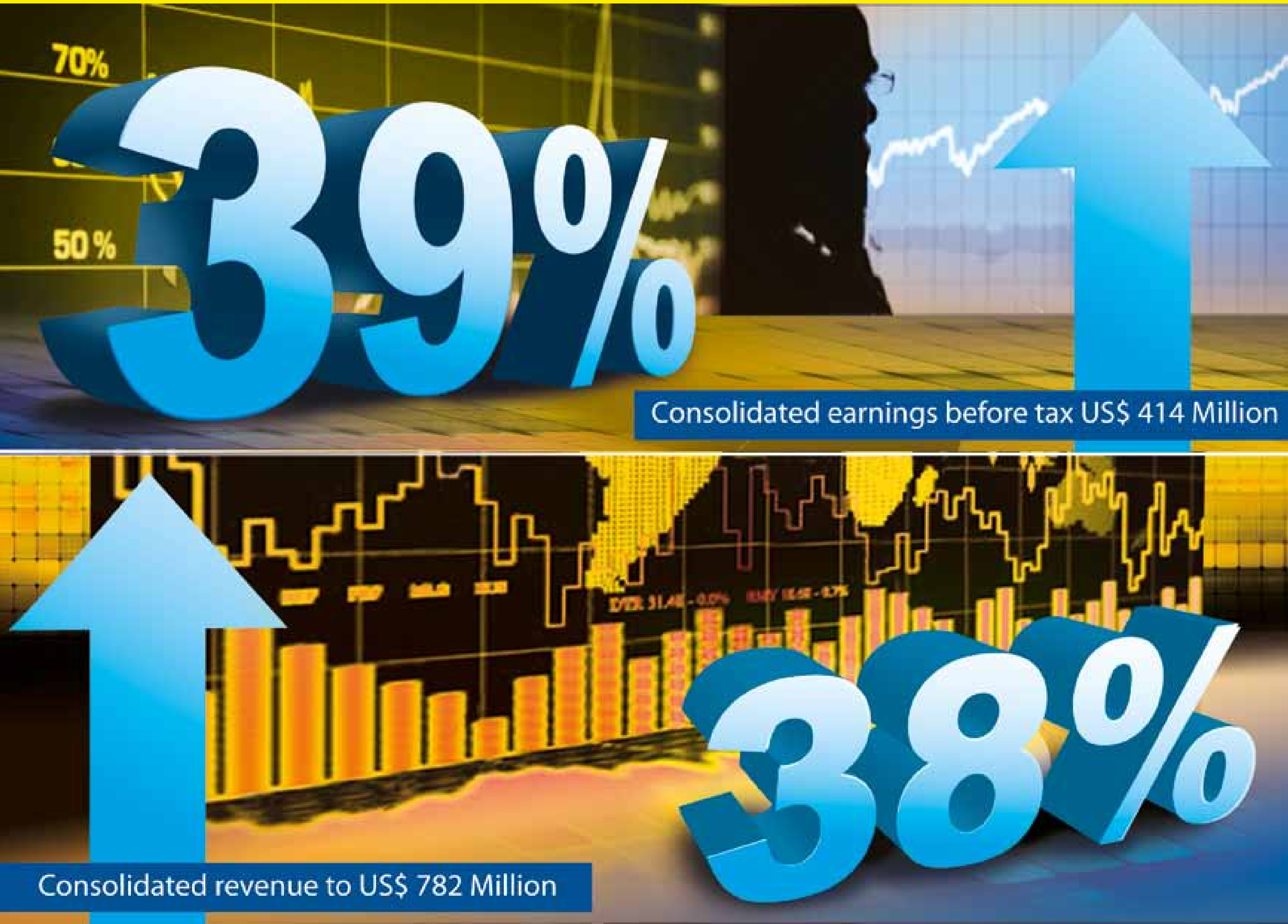
Profit before tax (x 1 mln US$)



Return on Equity (%)



III. Operational Performance 2011 and Work program 2012



Financial Performance

In 2011 the consolidated gross revenues amounted to US$ 782 million, 38% higher compared to 2010. The average product net sales price was US$ 100.53 per barrel compared to an average net sales price of US$ 71.82 per barrel in 2010, an increase of 40%. The resulting return on equity increased from 40% to 46%. The profit before tax increased by 39 % and amounted to US$ 414 million in 2011, compared to US$ 298 million in 2010. Contributions to the government budget in 2011 increased by 48 % compared to 2010, amounting to US$ 289 million: US$ 144 million for tax obligations and US$ 145 million as dividends.
The Total investment expenditures amounted to US$ 190 million compared to US$ 93 million in 2010.

Institutional Activities

Murphy Oil drilled the Aracari 1 well in Block 37, offshore Suriname, but did not encounter any hydrocarbons. In July 2012, Murphy has to decide whether or not they will enter the next phase or relinquish the block. The Aitkanti 1 well, operated by Teikoku in block 31, was completed in December 2011. The objectives of the well were met and due to encouraging results the block will be further evaluated.
Tullow Oil has been preparing to acquire 2,500 km² three-dimensional seismic data in block 47. They plan to shoot the data in the second quarter of 2012. The study for the environmental permit is in the final stage.
Several international oil companies visited Staatsolie during the course of this year, and a number of data packages were sold to interested parties. Since the discovery in the Zaedyus well in French Guyana there has been also a noticeable increased interest in offshore Suriname. On Staatsolie's 31st anniversary on 13 December 2011 three production sharing agreements were signed, one with Murphy Oil for block 48 and two agreements with Kosmos Energy for blocks 42 and 45.
In November 2011 Staatsolie started a two-dimensional regional seismic survey on the Demerara High. On 23 December the 5,000 km program was successfully finalized within budget and on time. Based on Article 76 of UNCLOS Suriname's claim for the extension of the continental shelf to the maximum of 350 nautical miles was successfully concluded in April 2011.

Commercial Activities

Upstream

Exploration

One of the strategic goals for the period 2008 - 2012 is to increase hydrocarbon reserves to secure the continuity of business operations in general, and to safeguard the production level in particular. The programs to reach these goals consist of exploration activities and reservoir studies. All exploration programs have taken place according to the exploration processes starting with regional studies and progressing to drillable prospects.


A rig in the swamp area of the Coronie block.

Exploration Division of Staatsolie

The Exploration Division of Staatsolie continued its exploration activities in Commewijne, Weg naar Zee and Nickerie. Commewijne exploration was carried out in the eastern and southern part of the block, eventually resulting in cancelling follow-up drilling due to poor results. Based on relatively good results of the wells drilled and the production test carried out in one of the wells, Weg naar Zee testing and drilling continued. A 15 well appraisal program was carried out and the results are being evaluated.

The results of the Petroleum Systems Study became available and were put to use in the Nickerie project to position the exploration wells. After long preparations the Nickerie drilling program kicked off with a three-well program on land, which resulted in oil indications in two wells and gas shows in one of the wells. A second phase of drilling was carried out but the results were not very positive. The program was suspended after the sixth well in the part of the Block in question.

The results so far indicate the Weg naar Zee area as the most mature with prospects to deliver resources by 2012.

Sufficient geological information has been generated through the various exploration programs to allow thorough risk assessment of the onshore potential by early 2013.

Paradise Oil Company N.V.

Staatsolie's subsidiary, Paradise Oil Company N.V. (POC), shifted almost all of its projects from a preparations mode into a more operational mode in 2011.

Based on evaluations of the data, it was decided to continue with exploration and appraisal activities in the Uitkijk block. Because of its close proximity to the Tambaredjo oilfield, it is most likely that Uitkijk harbours the same type of oil. Three appraisal wells were drilled of which two were completed for production testing. The initial results of the evaluation are encouraging and plans have been drawn to further appraise the Uitkijk North area.

POC reached an agreement with Tullow Oil regarding the transfer of their interest in the Uitkijk block. In total 36.5% of the 40% of Tullow Oil's interest was transferred to POC. The remaining 3.5% was transferred to the Australian based PortSea, making this company the new joint venture partner of POC.

In 2011 POC continued with civil works in Coronie and constructed more than 100 kilometers of waterways in the swamp. In August the drilling rig, after having encountered some difficulties, was successfully transported from Saramacca to the first well location in the Coronie area. One well was drilled in December and the first indications support the geological concepts of the area.

POC continued with the preparation of the exploration activities in near-shore Block 4 on behalf of Staatsolie. The design of the 2D and 3D seismic survey was completed. Based on a tendering process Geokinetics was selected as the seismic contractor. At the same time the impact on the environment and the local community were studied. All stakeholders were consulted and valuable input was provided during the stakeholders meetings for the completion of the Environmental Social Impact Assessment (ESIA) of the near-shore block. The ESIA has already been submitted to NIMOS awaiting their final advice. Start-up of the acquisitions is scheduled in May 2012.

Crude Production

In 2011 a total production of 5.99 million barrels of oil (MMBLS) was realized, 3% higher compared to 2010. The highest production continued to come from the Tambaredjo field, where an aggressive down-hole maintenance program was executed, replacing more than 140 down hole pumps.

To sustain crude production at approximately 16,000 barrels oil per day (BOPD), 61 new wells were taken into production, 16 in the Tambaredjo and 45 in the Tambaredjo-NW field, bringing the total of wells in production in the three (3) oil fields to 1,418. Production at the end of December 2011 was approximately 16,500 BOPD. A total of 192 million scf of gas was separated from the oil produced at TA58 treatment plant and used as fuel for the heater treaters.

Reservoir Studies

The objective of reservoir studies is to increase the knowledge of the spatial distribution of oil bearing sands, reservoir properties and reservoir production performance, in order to optimize oil recovery from the Staatsolie fields. To this end several projects were implemented.

The excisting high resolution 3D seismic data, acquired in 2001, was reprocessed by Fugro-Kelman and data is now being loaded on interpretation platforms. With this reprocessing a higher vertical resolution of the seismic data was obtained. This could aid in the identification of bypassed oil in the Tambaredjo field.

In the Tambaredjo-NW (TNW) field, a five well strattest program was carried out, in order to optimize and to increase the success rate of the well placement of the 2012 development drilling program. In the Tambaredjo field four (4) appraisal wells were drilled with the main objective of finding additional reserves. In all these wells thinly developed oil bearing sands were encountered, which were assumed not to be economically producible.

Signing ceremony of three production sharing contracts between Staatsolie, Kosmos Energy (block 42 and 45) and Murphy Oil Corporation (block 48).

Enhance Oil Recovery Technologies

Polymer Flooding is one of the Enhanced Oil Recovery (EOR) methods aimed at increasing the producible reserves. With this method an attempt is made to push the oil to the surrounding wells in order to produce more oil from the reservoir. The Polymer Flooding pilot project started in September 2008 and was extended with a third injector well in June 2011. The pilot will be continued until the end of 2012.
Most of the uncertainties listed at the beginning of the project could be verified and important reservoir data could be gathered. The results so far show an increase in oil production in the producers surrounding the injector wells. However, the final evaluation of the Polymer Flooding pilot project will conclude the economic feasibility for full-scale implementation.

To test other EOR technologies an EOR Screening and Master Plan Visualization study was conducted for the Tambaredjo and Calcutta fields by MK Tech Solutions. This project commenced in December 2010 and was finalized in June 2011. The objective of this project was to develop an EOR Master Plan for the Tambaredjo and Calcutta fields based on the EOR screening results. The first activity, in this three year EOR Master Plan, is to commence feasibility studies in order to eventually develop a staged field plan for the implementation of another EOR process.

A pilot project to test the Down Hole Water Sink technique with the objective of minimizing water production in wells was initiated in one well. Evaluation of the acquired data will be carried out by the end of 2012.

Data collecting from a production well.

Development Drilling

Development Drilling activities were carried out in Tambaredjo North West (TNW) field with 50 wells in the wetlands as well as in Tambaredjo field with 22 wells on land. Of the 72 wells drilled, 61 were completed as producers, a success ratio of 85%. Initially two drilling rigs were in operation in the wetland in TNW from January 2011. However a blow out unfortunately occurred on Staatsolie's rig VII on May 05, 2011, causing the rig to collapse and sink into the ground. No injuries occurred and the rig was salvaged.

Drilling operations were continued with one rig in the wetland and one rig on land. By year-end rig VII was still in major overhaul.

Besides the 72 development wells, several wells were drilled for other purposes i.e. 5 appraisal wells in TNW, 4 appraisal wells in Tambaredjo, 1 injector well for EOR/Polymer Flooding and 1 well to test out Downhole Watersink Completion.

Engineering and Maintenance Services

Engineering projects were mainly focused on sustaining production including well facilities, field headers and treatment facilities.

An amount of US$ 11,024,299 was spent on 21 projects in several stages of progress, including those in design, under construction or completed.

There was also significant engineering support for field modification improvements. Maintenance activities were continued to ensure reliable equipment and facilities for production. Both preventive and corrective maintenance were carried out with a strong focus to improve maintenance routines impacting production flow, repetitive failure prevention and cost control.

Downstream

Refinery

Refinery production was 2.63 million barrels, 3% lower compared to 2010. The production mix consisted of diesel, asphalt bitumen and various grades of fuel oil. The average throughput of the refinery per stream day was 7.480 barrels.

An Asset Management Program, which focuses on equipment condition, the monitoring, work planning and scheduling, and asset reviews, was initiated. Progress was slow due to delays in the recruitment of new engineering staff.

The reliability and inspection department is in the development stage. Test equipment and an inspection database were procured and are currently being used for troubleshooting equipment problems and assessment of inspection records. Further development in Risk Based Inspection will continue in 2012.

Marketing

The total sales of petroleum products, after elimination of intra-company sales, amounted to 7.05 million barrels in 2011, a decrease of 3% compared to 2010. These volumes include sales from our own production and trading realized by our local subsidiary Suritex and the Trinidad-based Ventrin. Sales volume from own production amounted to 5.9 million barrels, an increase of 2% compared to 2010. Trading increased by 3% to 1.6 million barrels.

The sales on the different market segments for exclusively Staatsolie petroleum products were:
exports - 45%, bauxite industry - 31%, bunkering - 12% and other local industries - 12%.

Staatsolie Power Company Suriname

For Staatsolie Power Company Suriname (SPCS), 2011 can be characterized as a year with a very irregular mode of operation, varying from a peak demand generation at the beginning of the year to a 5 months total shut down, to a non-stop 14 MW operation in the last 3 months of the year. These fluctuations were caused by the varying hydropower available at the Afobaka plant, which is dependent on the water level in the Brokopondo lake. A total of 48,411 MWh was delivered to the EBS grid in 2011, a 40% decrease compared to 2010.

Two machines were shut down for safety reasons, due to a manufacturing fault on the connecting rods of two engines, reducing the total capacity of SPCS by 50% to 14 MW. New parts became available in December and by the end of the year one engine was in operation again, while the other was only in operation at the end of January 2012.

Suritex

On September 1, 2011 Staatsolie officially acquired the assets of the former Chevron / Texaco retail operations in Suriname. The operation encompasses 20 service stations, 4 bulk stations and an aviation supply business. This acquisition is of strategic importance in view of our intended production of gasoline and diesel as of 2014. After intensive negotiations the Purchase and Sales Agreement was signed on May 14, 2011. Between this date and September 1, all assets and liabilities were transferred, from a regional limited liability company,

The site where the new refinery is being constructed.

to Suritex, a local limited liability company. In the forthcoming period Suritex will, in addition to the normal operations, Suritex will work on the preparations for the introduction of an own brand name.

Ventrin Petroleum Company Limited

In 2011 activities focused on reviving Ventrin to return to profitability. Measures included: new sourcing agreements with Staatsolie and Petrotrin; appointment of a Financial- and Marketing Officer; cost reduction efforts which led to lower barging costs and reduced headcount; new loans for upgrading facilities and to pay off loans with higher interest rates. In addition, an indepth analysis was made of the past performance to decide whether to focus on volume or margin. This information was captured in the 2011-2015 Business Plan. After some initial difficulties in 2011, fine tuning on a tactical and operational level has led to a profitable first quarter in 2012.

Refinery Expansion Project

The Refinery Expansion Project entails the construction of facilities for producing high value end products from our Saramacca Crude for the local market; primarily Euro Spec diesel and gasoline. The capacity of 15,000 barrels per day will make Suriname almost fully automotive and fuel independent.

In June the Refinery Expansion Project realized its most critical milestone of 2011: The Engineering, Procurement and Fabrication - which entails 35% of the overall construction scope of work - was converted

from Cost Reimbursable execution to Lump Sum execution, under a Lump Sum Contract of US$ 424 million with Saipem. Herewith, 65% of the total project cost was placed under Saipem's control and risk.
By the end of 2011, detailed engineering reached 60%, and yard fabrication, in Arbatax, Sardinie, started.

Business Development

Sugarcane to ethanol

Staatsolie started a pilot sugarcane cultivation project in 2010 to determine the best sugarcane varieties that would result in the best yield per hectare and the best percentage of fermentable sugars for the production of ethanol. From December 2010 till June 2011 over 70,000 plantlets of different varieties were planted. The pilot sugarcane cultivation has yielded encouraging results so far. The desired targets have been met: the sugarcane yield to date exceeds 100 tons per hectare and the sucrose content averages 13.5%. Laboratory testing will continue. It is expected that the yield projected by Staatsolie, an average of 85 tons per hectare over a five year period, will be achieved. The Industrial and Agricultural studies progressed significantly. In the Industrial Solutions Study two plant configurations have been selected from six viable options. The single case forward will be selected in the first quarter of 2012. In the Agricultural Solutions Study a development plan for the total acreage regarding drainage, crop husbandry and equipment has been drafted. Social and ecological field studies for the Environmental and Social Impact Assessment have been carried out and will be continued in 2012.

TapaJai Hydro Power Project

The TapaJai Hydropower project goal is to add 64 MW firm hydropower to the grid, by diverting water from the Tapanahoni River into the Brokopondo Lake, utilizing excess generating capacity at the existing Brokopondo hydropower station. The project's pre-feasibility was established after completion of a solution study by mid 2011. Project activities in the past year focused on stakeholder information and consultation. After completion of the initial stakeholder information and consultation round, the technical feasibility studies and the environmental and social impact assessment will start early 2012,

PetroAlgae Project

In June 2011 an agreement was signed between the Ministry of Natural Resources, N.V. Cultuur Maatschappijen and PetroAlgae LLC to develop the Petroalgae project in Suriname. Staatsolie was appointed as the overall coordinator of this project. The ultimate goal of the project is to commercially produce protein and biofuels out of Lemna (duckweed), combined with a licensed technology that has been developed by PetroAlgae LLC (Florida, USA) and the State University of Arizona (USA). The first stage of the project involves a "Growth Confirmation" pilot project. The "Growth Confirmation test" was carried out in an 880 m² open pond bio-reactor and the inoculation. The inoculation of the lemna was done in October 2011. Due to small problems, the test will continue in 2012 until satisfactory results are obtained.

BiosolarCells/AlgaeParc

In February Staatsolie became member of the Biosolarcells/AlgaeParc Consortium, consisting of 17 research institutes and 16 industrial companies. The goal of this research and development project is to bridge the gap between fundamental research on algae and full-scale commercial bio fuels production. The focus is on algae strains with high lipid contents. To date 100 algae strains have been tested. Marine species are preferred due to availability, cost reduction and environmental footprint.

The control room of Staatsolie Power Company Suriname

Roadmap for Bio-Energy

Staatsolie has awarded a contract to the Anton de Kom University of Suriname and partner Wageningen University of the Netherlands to prepare a Roadmap for Bio-energy resources development in Suriname. The goal of the Roadmap is to research the most promising Bio-energy crops for Suriname and will be completed in the third quarter of 2012.

SPCS Expansion

The electricity supply capacity in Suriname is lagging behind the forecasted demand. In this light the Shareholder approached Staatsolie to expand its 28 MW power plant with 34 MW. Technical and economical studies commenced in the last quarter. Activities will continue in 2012 and 2013 including the implementation phase of the project.

Corporate Services

Health and Safety

The overall safety performance has improved for both Staatsolie and Contractor employees. A total of 5 lost time incidents were reported compared to 15 in 2010. Four of the five reported lost-time incidents were

Students are informed on Staatsolie operations and products during the Children Book Fair in the District Saramacca

caused by contractor personnel. The lost-time injury frequency rate 1) dropped from 1.17 to 0.13. Also a major improvement is realized on the severity rate which dropped to 0.27 compared to 57.5 last year. The lost-time injury frequency rate and the severity rate were calculated on Staatsolie employees only.

The improvements in the statistics are a result of Health Safety Environment awareness sessions that started in the last quarter of 2010, and monitoring and monthly reporting of leading indicators. The table below shows the most important incident statistics for 2010 and 2011.

Year	First Aid Injuries	Lost Time injuries		LTIF Rate 1)	Severity Rate 2)	Vehicle Accidents	Oil spills >1 bbl
		Staatsolie	Contractors				
2011	13	1	4	0.13	0.27	61	16
2010	14	8	7	1.17	57.5	68	23

1) Lost time Injury frequency Rate (LTIF) = Number of lost time injuries per 200,000 hours worked

2) Severity rate = Lost Days per 200,000 hours worked

Environment

In 2009 Staatsolie committed itself to the implementation of an integrated HSE Management System, integrating the framework of ISO 14001 and OHSAS 18001, and adapted to the oil & gas industry: the SIGAS&SI system. This system consists of twenty elements, and the development of the "Management Review" and “Internal Auditing” elements were completed. A preliminary HSE and Legal Compliance Internal Audit on these two elements were executed in October 2011. A closing report for the first phase of this project is still to be finalized. Five other elements of this management system will be customized for Staatsolie operations in 2012.

In 2011, four exploration and one production project operated with a Certificate of Environmental Compliance (CEC) issued by NIMOS on completion. Additionally, Environmental and Social Impact Assessment (ESIA) and Environmental Management Plans (EMP) were reviewed and approved. At the end of 2011 five exploration projects and two production expansion projects were still in the ESIA/EMP study phase.

Quality

Management review meetings, plus internal and external audits, were held to measure the performance of Staatsolie’s Quality Management System.

During the audits a review was done on the past performance and the strategic challenges and opportunities for the future. Samples of the processes confirmed that Staatsolie to a large extent meets the requirements of the ISO 9001:2008, plus the customers’ and other stakeholders’ expectations. The quality of performed trend analysis was noticeably improved and additionally improvements were identified for the formulation, measurement and reporting of key performance indicators for various processes. An ISO 9001:2008 Lead Auditors course was conducted by Lloyd’s Register Quality Assurance for Staatsolie employees. These employees are qualified to be registered as lead auditors to gain the International Register of Certified Auditors (IRCA) in London. Seventeen Staatsolie employees achieved the ISO 14001 and OHSAS 18001 internal auditor certificate.

Community Relations

Staatsolie announced its Community Relations Policy in December 2011. The purpose of community relations is to develop sustainable relationships with neighboring communities, in order to properly address stakeholders’ interests and expectations with regard to socio-economic and environmental impacts. Activities in 2011 consisted of stakeholders meetings for several exploration projects, the Refinery Expansion Project and the ethanol project. Dialogue was started with communities in Saramacca and Tout Lui Faut, respectively the areas for crude production and refining operations. Complaints are not only monitored, but Community Relations Officers go actively into the field to assist in solving problems.

Procurement

To improve control of outsourced processes, Procurement started the implementation of the Contractor Management Guidelines in May 2011. Awareness sessions were held for Staatsolie employees and contractors. During the second half of 2011, a pilot was executed for the exploration and production drilling Contractors.

This pilot consisted on the one hand of an assessment of the contractors during site visits, and on the other hand the execution of a detailed training program for Staatsolie employees who works with contractors regularly. Also all relevant processes and contracts were reviewed on consistency with the guidelines. After evaluation of the pilot, an improvement plan was developed. In 2012 the guidelines will be implemented company-wide.

Information & Communication Technology

In 2011 the ICT division conducted and or supported several projects in different areas.

In the upstream, the ongoing E&P Data Management projects and the National Data Centre project were supported as well as the implementation of “Open wells”, a comprehensive well operations reporting tool

Opening a valve on a main line in the Tambaredjo oil field as part of the commissioning of a manifold, where new sources are connected.

which enabled immediate access to all offshore drilling data. In the downstream, the acquisition of Suritex was supported with the selection and implementation of a software package for the financial administration and with the extension of the Wide Area Network to include Suritex. This enabled ICT to provide file, print, email and internet services to the acquired company. The implementation of a Document Control system provided the Refinery Expansion Project with a tool to manage all REP related documents. Further the Refinery Operations was supported with the implementation of a Refinery Mechanical Integrity Inspection system.

The deployment of the Staatsolie Intranet system contributed to the improvement of the internal communication.

Several applications were migrated to a newer version of which the migration of Oracle Financials 11 to 12 was the most extensive. With the implementation of ATTASK for Engineering, Field Evaluation & Development and ICT, the foundation was laid for improvement of Project and Portfolio Management for these divisions.

Human Resources

Staatsolie's current structure and management style were evaluated in the context of the realignment of its organizational structure with Vision 2020. The evaluation provided input for the next phase of the project, namely to formulate organizational design principles and requirements, as well as Staatsolie's management philosophy towards 2020. Subsequently, an enhanced organizational structure (main, top and detailed) will be designed. The Organizational Structure project is scheduled to be completed in December 2012.

The Strategic Workforce Planning project deals with the management of the workforce/staffing implications of our Corporate Strategy and Vision 2020. In 2011 the project saw the completion of the analysis of Staatsolie's


Sugar cane harvest of the biofuel project in Wageningen.

external environment as it affects workforce. Also, insight was gained into the current internal supply of labor and the current demand for labor, both in qualitative and quantitative terms. In 2012 workforce/staffing availability and requirements towards 2015 will be identified and forecasted, which will result in a Strategic Staffing Plan towards 2015. The document will contain a workforce plan 2012-2015 as well as a listing of the requisite staffing strategies and plans to effectively deal with the staffing requirements and gaps identified. The Strategic Staffing Plan is of importance, as several strategic initiatives, which are currently in development, are to become operational in the coming years and entail specific staffing demands. The project is scheduled to be completed in December 2012.

As part of the Performance Management implementation, the so-called "Management Cycle", which involves the determination of objectives derived from Vision 2020 goals to each of the organizational levels through an explicit process of cascading, was completed company wide for the first time, for the budget year 2011. The first half of 2011 also saw the completion of competencies profiles for all Staatsolie's job positions, along with associated behavioral indicators. During the second half of 2011 the Management Cycle for the budget year 2012 was started. The so-called "HR-Cycle", which aims at connecting our people to our strategy by determining individual goals (results-based and developmental) will be conducted for the first time in 2012 for all managers and department heads. Intensive training and guidance was provided as of December 2011, and is scheduled to proceed until February 2012. To properly balance the further roll-out of the Performance Management process within the entire organization with the host of other key activities planned, the project timeline has been extended to the end of 2013.

The Staatsolie Foundation for Community Development was one of the financiers of the mobile eye clinic for the Surinamese community.

Activities regarding the Career and Succession Development & Planning project were started in the second half of 2011 with the development of a Succession Planning Policy and Process. The project will be continued in 2012 with the development of instruments and programs for Career and Succession Development & Planning. A succession pipeline, a development center, a career model and a personal development plan are a selection of the key instruments which will be developed in 2012, together with the learning and development programs. The implementation of Succession Development & Planning is scheduled to partially start in the first half of 2012 and the implementation of Career Development & Planning is scheduled to start in the last quarter of 2012.

Corporate Social Responsibility

In 2011 Staatsolie supported projects in the areas of education, sports, culture, health, environment and projects for the benefit of the underprivileged. A contract of approximately US$ 2 million was signed with the National Blood Bank of the Suriname Red Cross to finance the renovation, expansion and upgrade of the facilities. The purpose of this project is to guarantee the availability of blood products, as well as the quality and safety of the process from blood collection to blood supply. This project was selected in 2010 as community support project in commemoration of the 30th Anniversary of Staatsolie that same year. Completion is scheduled in the third quarter of 2012.

The Staatsolie Foundation for Community Development granted a total amount of US$ 1.7 million to projects related to education, health, safety and environment. The renovation of a venue for rhythmic gymnastics and movement for children with disabilities, textbooks for environmental education, renovation and/or expansion

of school facilities, renovation of houses for elderly, support of an arithmetic education project are, among others, projects financed by the Staatsolie Foundation.
The Committee Rehabilitation and Renovation of Sports Facilities (Staatsolie Sports Fund) financed the renovation of indoor and outdoor facilities and the purchase of gymnastics equipment.

Work program 2012

The focus in 2012 will be on:

1. Continuation of the accelerated exploration program onshore;
2. Exploration near-shore;
3. Sustaining an average crude production of 16,000 barrels oil per day;
4. Execution of EOR projects and studies;
5. Further execution of the refinery expansion project;
6. Further execution of the Wageningen sugarcane to ethanol pilot project and transition to the definition phase;
7. Further execution of the Solution and Definition studies of the TapaJai Hydropower project;
8. Continuation of the HRM strategy and development plan;
9. ISO 9001:2008 recertification;
10. Corporate financing strategy up to 2015.

Budget 2012

The total project budget for 2012 amounts to US$ 448 million of which US$ 52 million is allocated for the upstream production sustaining program, US$ 46 million for exploration activities and other upstream projects and US$ 15 million for capital goods. For the downstream operations including the Refinery Expansion Project an amount of US$ 317 million is allocated. For general projects, including capital goods, an amount of US$ 18 million is allocated.

Upstream

The upstream investments are mainly focused on the execution of the exploration program 2012 and the crude production sustaining program.
The exploration program consists of 43 wells in Nickerie, Coesewijne, Uitkijk, Coronie and the Weg naar Zee area. Also, 2D seismic data will be acquired in the Weg naar Zee and Coesewijne areas. Near-shore 3D seismic will be acquired in Block 4.

In order to achieve the strategic goal of sustaining a production level of 16,000 BOPD, the production sustaining program primarily consists of the further development of the Tambaredjo North West (TNW) field in 2012-2013. The objective of the development drilling program for 2012 is to drill 137 wells of which, 121 development wells and 18 strattest and appraisal wells. Taking into consideration a 75% success ratio, 91 new producers are expected from the 121 development wells. In addition, five (5) suspended wells will be taken into production, resulting into 96 new producers. The annual target production for 2012 is set at 5.91 million Stock Tank Barrels.

Marc Waaldijk Staatsolie's Managing Director (r) and Ken Wolahan, Transition Manager Chevron Caribbean during the acquisition ceremony of the Chevron retail business in Suriname by Staatsolie.

Reservoir Studies will be carried out to comprehend and analyze the behavior of the reservoirs. In addition to the continuance of EOR/IOR studies, such as polymer flooding, the restructuring of the E&P Data Management System will also be continued.

Downstream

The downstream investments are mainly focused on the continuation of the Engineering, Procurement, and Fabrication phase of the Refinery Expansion Project and the upgrade and expansion of crude storage facilities. The Refinery Expansion Project scope of work for 2012 consists of (1) Engineering, Procurement and Fabrication (EPF), (2) Construction and (3) Staatsolie Scope.

The overall EPF work is planned to progress from 22% to 93% and will be carried out by contractor Saipem under the EPF Agreement. The major part of overall EPF progress in 2012 relates to procurement of equipment and materials while the remaining part relates to progress of detailed engineering and the fabrication of pre-assembled units, pre-assembled racks and pipe spools in Sardinie.

Construction contracts will be carried out by nine main contractors primarily under reimbursable unit rate contracts and for selected scopes under lump-sum contract. The construction contracts for temporary construction facilities, piling, civil & quay works, heavy lift, buildings, storage tanks, mechanical works and electrical & instrumentation will be executed in 2012.
The Construction scope also entails Construction Management (CM) Services which will be carried out by Saipem. This will be done according to the Construction Plan under the Cost Reimbursable Agreement.

The SOM scope of work mainly consists of project staffing cost including project management consultants, travel, accommodation and office facilities, equipment purchase, and construction insurance cost.

Institutional

In 2012 Staatsolie's institutional activities offshore will include the processing and interpretation of 2D seismic data of the Demerara High and reprocessing of key data lines from the Extension Continental Shelf survey as a result of the findings in the Zaedyus well in French Guyana.
Contract Acreage Management activities will consist of:

- Evaluation of the exploration well Aitkanti-1 in Block 31;
- Evaluation of the drilling program by Tullow/POC in the Coronie block and by POC/PortSea in the Uitkijk block;
- Acquisition of 2,000 km² 3D seismic by Tullow in block 47;
- Acquisition of seismic data in the blocks 42, 45 and 48.

Business Development

Wageningen Sugarcane to Ethanol Project

The cultivation yield results, for tonnage and sucrose will be evaluated. The solution study on the production of biofuels from sugarcane and the ESIA will be finalized. Consequently, the outcome of the solution study and the pilot cultivation results will determine whether the project transits into the definition phase.

TapaJai Hydro Power Project

The definition study as well as the Environmental & Social Impact Assessment will be continued in 2012. A Heads of Agreement with Alcoa on the Brokopondo Power Plant and an agreement with French Guyana on the border river issue will be negotiated as well as a Power Purchase Agreement for the energy sales of the project.

Renewable Energy Sources

Biofuel Road map

The biofuel Road map will be finalized. This road map will provide Staatsolie a guideline for the development of Renewable Energy projects regarding the bio energy potentials in Suriname.

PetroAlgae Project

The coordination of the "Lemna Growth Confirmation" pilot project in Commewijne, in collaboration with N.V. Cultuur Maatschappijen and PetroAlgae LLC (Florida, USA) will proceed in 2012. This pilot project will provide data for the Solution study for the commercial production of protein and biofuels from Lemna.

BiosolarCells/AlgaeParc.

The partnership with Biosolarcells Consortium for AlgaeParc will be continued. The goal of this project is to bridge the gap between fundamental research on algae and full-scale commercial biofuels, protein and chemicals production facilities.

Corporate Services

Human Resource Management

Human Resource Management will continue with the implementation of the new HRM Strategy in order to secure a robust organization which is in line with our Vision 2020. Activities include:

- Continue company-wide roll-out of the Performance Management process;
- Continue realignment of the organizational structure with Vision 2020;
- Continue design and roll-out of the Strategic Workforce Planning process;
- Continue design and roll-out of the Career Development & Management Development process including succession planning and determination of career paths;
- Continue design and start of a Leadership Development Program;
- Continue implementation of the new HRM Division structure;
- Function analysis, determination of basic competences with associated behavioral indicators.

Health Safety Environment & Quality

The implementation of an integrated HSE Management System, SIGAS&SI Program, within the framework of ISO 14001 and OHSAS 18000, will be continued.

In September 2012, the company-wide ISO 9001:2008 certificate will expire and the recertification audit is planned for July 2012.

Finance Services

Activities will include:

- Secure financing for the investment activities up to 2015;
- Update Corporate Information Plan including the review of the ICT organization;
- Development and commencement of the implementation of a cost accounting system and a performance management system;
- Implementation of the Corporate Governance code and an integral risk management system;
- Roll-out of the Contractor Management Guidelines.

IV. Management's Analysis of Operations and Financial Condition

1. Risk and Uncertainties

Staatsolie is exposed to a number of risks that could affect our operational and financial performance. Staatsolie manages risk in order to ensure safe operations and to realize our corporate goals in compliance with our requirements. In this paragraph some of the key risks are discussed.

Risks related to our business

1. **Market risk**
   - A prolonged decline in oil prices will adversely affect our business, the results of our operations, our financial condition, our liquidity and our ability to finance planned capital expenditure. A planning tool is in place to monitor the effects of fluctuations in oil prices and where necessary decisions are taken to assure business continuity.

2. **Operational risks**
   - Fail to find and develop additional oil reserves: Unless we conduct successful exploration and development activities, our proved reserves will decline as reserves are produced. Intensified exploration efforts are made to find and develop additional oil reserves based on advanced methodologies.
   - The crude oil reserve data are estimates. Every two years the crude oil reserves are validated by a reputable independent third party.
   - Health, Safety and Environmental (HSE) risks could result in significant losses: HSE risk assessments are conducted according to our HSE policies and procedures, resulting in environmental management plans and health & safety plans.

3. **Financial risks**
   - Risks related to the execution of the investment program: Critical success factors are defined and monitored via the Staatsolie performance scorecard.
   - In case of a property damage or claim: Staatsolie maintains insurance with proper coverage in case of physical damage to its properties, claims from third parties and accidents to its employees. Regular valuation and risk surveys are performed by an independent surveyor. Also regular evaluation of the content of the insurance coverage is done by Staatsolie and its insurance brokers
   - Failure to attract and retain key employees which can affect the successful implementation of our strategy. Our human resource management system includes the determination of key positions, succession planning and development of competencies.
   - Credit, interest and liquidity risks: Credit terms and credit limits are determined and monitored. A financial model, which is reviewed periodically, is used to monitor our financial position.

4. **Political and economic risks**
   - Political and economic policies of the Surinamese government may have an impact on our business through e.g. tax and environmental laws and regulations.
   - The Surinamese government is the sole shareholder of Staatsolie and they may cause us to pursue certain macroeconomic and social objectives which may affect our results and financial condition.

Access to international capital market may be influenced by the country risk grade which may have impact on our ability to finance our operations.

5. **Reputation risk**
   - Failure to meet our ethical standards could harm our reputation and our business: With our Code of Conduct, which applies to all employees and others who act on our behalf, we wish to firmly establish the specific values of integrity and community spirit. Implementation of the Corporate Governance code and an integral risk management system are in development.

2. Critical Accounting Policies

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (US GAAP) requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. The following summary provides further information about the critical accounting policies and the judgments that are made by the Company in the application of those policies.

Oil Reserves

Evaluation of oil reserves are important to the effective management of Upstream assets. They are integral to making investment decisions about oil properties such as whether development should proceed. Oil reserve quantities are also used as the basis for calculating unit-of-production depreciation rates. Oil reserves include both proved and unproved reserves.

Proved oil reserves are those quantities of oil, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions and operating methods. Unproved reserves are those with less than reasonable certainty of recoverability and include probable and possible reserves. Probable reserves are reserves that are more likely to be recovered than not. Possible reserves are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves.

The estimation of proved reserves, which is based on the requirement of reasonable certainty, is an ongoing process based on rigorous technical evaluations, commercial and market assessment, and detailed analysis of well information such as flow rates and reservoir pressure declines.

Reserve changes (revisions) are made within a well-established, disciplined process driven by geoscience and engineering professionals.

Revisions can include upward or downward changes in previously estimated volumes of proved reserves for existing fields due to:

1. Change in reservoir performance;
2. Change in production technology;
3. New geologic, reservoir or production data;
4. Changes in prices and costs that are used in the estimation of reserves;
5. Revised reservoir model.

Although Staatsolie is reasonably certain that proved reserves will be produced, the timing and amount recovered can be affected by a number of factors including completion of development projects, reservoir performance and significant changes in long-term oil price levels.

Proved reserves can be further subdivided into developed and undeveloped reserves. The prove developed reserves were 74 percent of total proved reserves at year-end 2011, and have been over 50 percent for the last five years. This indicates that proved reserves are consistently moved from undeveloped to developed status, as new wells are drilled and facilities to collect and deliver the production from those wells are installed.

Development projects typically take two to five years from the time of recording proved reserves to the start of production from these reserves. However, a longer time frame is applied where reserves are only developed until actually required to meet the Company's production target.

Staatsolie uses the "successful efforts" method to account for its exploration and production activities. Under this method, costs are accumulated on a field-by-field basis with certain exploratory expenditures and exploratory dry holes being expensed as incurred. Costs of economic productive wells, development dry holes, other wells drilled to support development of the field (e.g. observation wells, injection wells, delineation wells etc.) and production equipment are capitalized and amortized based on the unit-of-production method.

Impact of Oil Reserves on Depreciation

The calculation of unit-of-production depreciation is a critical accounting estimate that measures the depreciation of upstream assets. It is the ratio of actual year volumes produced to total proved developed oil reserves.

Suspended Exploratory Well Costs

Staatsolie carries as an asset, exploratory well costs when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where sufficient progress is made in assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expense. Assessing whether a project has made sufficient progress is a subjective area and requires careful consideration of the relevant facts and circumstances.

Dismantlement and Abandonment Obligation

Provisions are recognized for the future dismantlement and abandonment of the production field, the related facilities, pipelines, the refinery and the power plant. The calculation is based on the cash value of the estimated full cost, taking into account assumptions regarding the rate of inflation. Furthermore, the calculation of the estimated full cost is based on the fact that the dismantlement and abandonment will be performed by the Company itself.

Pensions and Other Post Retirement Benefits

The provision for pensions and other post retirement benefits is based on assumptions which are used in an actuarial evaluation. Pension accounting requires explicit assumptions regarding, among others, the expected return on plan assets, the discount rate for benefit obligations and the rate for inflation and salary developments. The assumptions are reviewed annually by management and adjusted as appropriate. The actuarial evaluation is performed by an independent actuarial firm.

Litigation Contingencies

Claims have been made against Staatsolie in 2 pending lawsuits as at December 31, 2011. Management has regular litigation reviews, including updates from corporate and outside counsel, to assess the need for accounting recognition or disclosure of these contingencies. The status of significant claims is summarized in note 27.

US GAAP requires that liabilities for contingencies be recorded when it is probable that a liability has been incurred by the date of the balance sheet and that the amount can be reasonably estimated. These amounts are not reduced by amounts that may be recovered under insurance or claims against third parties, but undiscounted receivables from insurers or other third parties may be accrued separately. Staatsolie revises such accruals in light of new information.

Tax Contingencies

Staatsolie and its subsidiaries are subject to income taxation. Significant management judgment is required in the accounting for income tax contingencies and tax disputes because the outcomes are often difficult to predict.

US GAAP requires recognition and measurement of uncertain tax positions that Staatsolie has taken or expects to take in its income tax returns. The benefit of an uncertain tax position can only be recognized in the financial statements if management concludes that it is more likely than not that the position will be sustained with the tax authorities.

V. Independent Auditor's Report

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

Report on the financial statements

We have audited the accompanying financial statements 2011 of Staatsolie Maatschappij Suriname N.V., Paramaribo, which comprise the consolidated and company balance sheet as at December 31, 2011, the consolidated and company income statement, the consolidated statement of changes in shareholder's equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Staatsolie Maatschappij Suriname N.V. as at December 31, 2011 and of its result and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Paramaribo, May 11, 2012
Lutchman & Co|An independent correspondent firm of Deloitte Touche Tohmatsu

Already signed: Drs. M.R.A. Lutchman RA (Chartered Accountant)

VI. Consolidated Financial Statements

1 Consolidated Balance Sheet as at December 31, 2011

(after distribution of earnings)

x US$ 1,000

Assets	Notes	2011	2010
Current assets			
Cash and cash equivalents	4	496,788	298,242
Short-term investments	5	30,650	27,415
Accounts receivable	6	51,560	53,361
Inventories	7	22,379	25,647
Prepaid expenses and other current assets	8	44,957	7,534
		646,334	412,199
Investments			
Pension plan	9	-	43
		-	43
Unamortized debt arrangement fees	10	-	3,201
Goodwill	11	5,447	-
Property, plant and equipment	12		
Oil properties			
Evaluated properties		204,423	176,017
Pipelines		2,305	2,484
		206,728	178,501
Refinery		23,215	14,586
Power plant		26,533	28,430
Other fixed assets		76,185	65,026
		332,661	286,543
Projects in progress		209,010	101,889
		541,671	388,432
Minority interest Ventrin	13	81	49
Total assets		**1,193,533**	803,924

Paramaribo, May 11, 2012

The Board of Executive Directors:

M.C. Waaldijk	Managing Director
G.P. Sairras	Production & Development Director
I.J. Poerschke	Finance Director

x US$ 1,000

Liabilities	Notes	2011	2010
Current liabilities			
Accounts payable	14	20,828	5,671
Bank overdraft	15	3,193	2,033
Accrued liabilities	16	56,622	42,672
Income and other taxes	17	35,605	25,850
Short-term portion of Term Loan	18	37,500	-
		153,748	76,226
Long-term liabilities			
7% Bond	19	54,999	54,956
Term Loan	20	179,752	-
FCIB long/medium term loan facility	21	4,891	-
		239,642	54,956
Provisions			
Deferred income taxes	22	64,497	62,869
Dismantlement and abandonment	23	81,248	73,817
Pensions & other post retirement benefits	24	16,364	10,779
Pension plan	25	24,211	6,451
Environmental risk	26	2,220	-
		188,540	153,916
Shareholder's equity		611,603	518,826
Total shareholder's equity & liabilities		**1,193,533**	803,924

Paramaribo, May 11, 2012

The Supervisory Board:

E. Boerenveen	Chairman	**A. Hilversum**	Member
S. Marica	Member	**F. Kasantaroeno**	Member
G. Asadang	Member	**E. Poetisi**	Member
R. Graanoogst	Member		

2 Consolidated Income Statement 2011

x US$ 1,000

	Notes	2011	2010
Revenues from			
Production & Refining		559,115	428,224
Trading activities		215,401	130,444
Electric energy		7,717	7,139
Gross revenues		782,233	565,807
Inventory variation		7,934	2,986
Other revenues		1,104	167
		791,271	568,960
Less: export-, transport- and sales costs		(20,516)	(21,242)
Net revenues	29	770,755	547,718
Exploration expenses including dry holes		(37,944)	(10,385)
Production expenses		(37,135)	(33,419)
Refinery expenses		(10,338)	(10,623)
Depreciation	30	(37,368)	(34,631)
Accretion expenses		(4,444)	(3,953)
Other operational costs	31	(179,117)	(124,640)
Operating income		464,409	330,067
General and administrative expenses		(26,915)	(24,156)
Refinery expansion		-	(6,135)
Expensed projects		(8,729)	-
Financial expense and income		(14,452)	(1,474)
Earnings before tax		414,313	298,302
Income tax charge	32	(151,960)	(106,690)
Earnings after tax		262,353	191,612
Minority interest Ventrin		32	23
Net profit		**262,385**	**191,635**

Paramaribo, May 11, 2012

The Board of Executive Directors:

M.C. Waaldijk	Managing Director
G.P. Sairras	Production & Development Director
I.J. Poerschke	Finance Director

The Supervisory Board:

E. Boerenveen	Chairman
S. Marica	Member
G. Asadang	Member
R. Graanoogst	Member
A. Hilversum	Member
F. Kasantaroeno	Member
E. Poetisi	Member

3 Consolidated Statement of Changes in Shareholder's Equity

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	12,104	503,975	5,500	3,495	(6,248)	518,826
Equity movements:						
Transfer from earnings	-	114,685	-	-	-	114,685
Prepaid pension benefits	-	859	-	-	-	859
Withdrawal	-	-	-	(564)	-	(564)
Allocation [1]	-	(1,126)	500	-	(21,577)	(22,203)
Balance as at December 31	12,104	618,393	6,000	2,931	(27,825)	611,603

[1] Allocation consists of the following items:

- General reserve: (US$ 1,126,000):
  Refinery Expansion charges prior year: (US$ 265,000)
  Adjustment profit sharing 2010: US$ 1,027,000
  Adjustment result subsidiary Ventrin: US$ 364,000

- Appropriated reserve for environmental risk: US$ 500,000
  Annually, an amount of US$ 500,000 is allocated for environmental risks. As at December 31, 2011, the appropriated reserve for environmental risk amounted to US$ 6,0 million.

- Accumulated net other Comprehensive Income: (US$ 21,577,000)
  See table 4 below for the breakdown of this amount.

4 Consolidated Statement of Other Comprehensive Income

x US$ 1,000

	2011	2010
Balance as at January 1	6,248	11,695
Pensions and other postretirement benefits plans	20,578	5,648
Cash flow foreign currency hedge	12,956	-
Unrealized gains and losses short term investments	179	(4,052)
Tax effects of items included in other comprehensive income	(12,136)	(7,043)
Balance as at December 31	**27,825**	**6,248**

x US$ 1,000

Tax effects related to other comprehensive income 2011	Before Tax amount	Tax Expense	Net of Tax amount
Pensions and other postretirement benefits plans	20,578	7,408	13,170
Cash flow foreign currency hedge	12,956	4,664	8,292
Unrealized gains and losses short term investments	179	64	115
Other comprehensive income	**33,713**	**12,136**	**21,577**

Difference between 2011 company and consolidated shareholder's equity

x US$ 1,000

Consolidated shareholder's equity	611,603
Company shareholder's equity	618,897
Difference	(7,294)
Due to the following:	
Decrease in dividend payable due to negative net earnings Ventrin and POC	1,386
Adjustment 2009 consolidated income tax reflected in 2010 figures	(2,482)
Negative net capital value Ventrin	(4,971)
Negative net capital value POC	(935)
Elimination of net profit POC from overhead charges Staatsolie	(133)
Tax adjustment due to profit elimination from ending stock Ventrin	(127)
Result minority interest Ventrin	(32)

5 Consolidated Cash Flow Statement 2011

x US$ 1,000

	2011	2010
Cash generated from operating activities		
Net earnings	**262,385**	191,635
Adjusted for:		
Depreciation	37,368	34,631
Accretion on discounted provisions	4,444	3,953
Amortization of debt arrangement fees	2,904	594
Exploration expenses of dry holes	8,975	4,580
Provisions	15,493	4,436
Interest on short term investments	(3,414)	(2,376)
Accrued interest	527	697
Deferred taxes	14,003	11,121
Foreign exchange (gain)/loss	9,941	1,388
Minority interest Ventrin	(32)	(23)
Operating profit before working capital changes	**352,594**	250,636
Working capital changes (Operating assets) net of effects from purchase of Suritex:		
Accounts receivable	(78,179)	(40,151)
Inventories	7,332	(6,241)
Accounts payable	14,971	4,065
Bank overdraft	1,160	(128)
Accrued liabilities	22,117	(4,178)
Income and other taxes	9,755	13,636
Pension plan	(3,109)	(3,925)
Provision for pensions and other post retirement benefits	(386)	(212)
Net cash flow from operating activities	**326,255**	213,502
Cash generated from investing activities		
Proceeds from sale of property, plant and equipment	480	1,779
Investment in property, plant and equipment	(189,554)	(93,063)
Purchase of subsidiary companies, net of cash	(17,778)	-
Short term investments	43	7
Net cash flow from investing activities	**(206,809)**	(91,277)

Cash generated from financing activities		
7% bond	-	54,929
Term loan	217,592	(3,767)
FCIB long/ medium term loan facility	4,891	-
Distribution of earnings, excl. addition to general reserve	(14,204)	(13,906)
Distribution of earnings	(119,504)	(65,287)
Committee Rehabilitation and Expansion of Sports Facilities	(564)	(706)
Net cash flow from financing activities	88,211	(28,737)
Effects of exchange rate changes on foreign cash balances	(9,111)	(1,695)
Net increase in cash and cash equivalents	**198,546**	91,792
Cash and cash equivalents at the beginning of the year	**298,242**	206,450
Cash and cash equivalents at the end of the year	**496,788**	**298,242**
Interest paid	8,638	1,800
Income tax paid	135,719	82,036

VII. Notes to the 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. In addition, the Staatsolie Power Plant commenced commercial operations in 2006.

Staatsolie has a wholly owned subsidiary, 'Paradise Oil Company' (POC), incorporated in the Republic of Suriname. Furthermore, Staatsolie has a majority interest in Ventrin Petroleum Company Limited. Ventrin is a bunkering company incorporated in the Republic of Trinidad and Tobago. In 2008, Staatsolie's interest of 30% in Ventrin was increased to 98.4%. In the third quarter of 2011 Staatsolie entered into the retail business with the acquisition of Suritex N.V., a former Chevron Caribbean branch.

1 Summary of Accounting Policies

Principles of consolidation

The consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (US GAAP) for the oil and gas industries in particular. Due to consolidation, the consolidated and the financial statements of Staatsolie are presented.
The financial data of Staatsolie and its subsidiaries are consolidated under elimination of intercompany balances, sales and purchases. Minority interests are presented separately in the consolidated financial statements.

Currency translation

The US dollar is the reporting currency. Foreign currency transactions as well as Surinamese dollar (SRD) transactions are translated at applicable buying rates derived from exchange rates published by the 'Centrale Bank van Suriname'. At the end of the fiscal year, monetary items in foreign currency are translated into US dollars at the applicable year-end exchange rate. The year-end exchange rate for the Surinamese dollar, the Euro and the TT dollars for the year under review was US$ 1 = SRD 3.25, US$ 1 = Euro 0.77 and
US$ 1= TT 6.41.

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). The UPM factor is derived from the year oil production and the related proven developed oil reserves.

Financial instruments and hedge activities

Staatsolie uses derivative financial instruments to mitigate the risk of unfavorable exchange rate movements on its foreign currency denominated expenses.

These derivative financial instruments used as well as the risk being hedged are accounted for using cash flow hedge accounting. Under this model, the gains and losses associated with the derivative instruments are deferred and recorded in "Accumulated other comprehensive income" until such time as the hedged transaction impacts earnings, with the exception of any hedge ineffectiveness, which is recorded directly in the income statement.

Short-term investments

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

Accounts receivable

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

Inventories

Crude oil and refined products' inventories at year-end are valued at the lower of either cost or market value. Cost comprises all direct purchase costs, attributable operating expenses – including depreciation - and allocated overhead.
Drilling supplies and other materials are recorded at the weighted average cost price or lower market value. The cost price consists of the purchase price plus a surcharge for import and transportation costs.
If necessary, a provision for obsolete inventory is taken into consideration and deducted from the inventory.
Ordered goods have been recorded at purchase value and only the goods that are in transit at balance sheet date are recorded on the balance sheet.

Equity investments

Equity investments are accounted for using the equity method.

Pension plan

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

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. 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.

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, which are recorded at their nominal values.

Long-term debt

The long-term debt consists of debt obligations lasting over one year and are recorded at their nominal values.

Deferred income taxes

This relates to the difference between the commercial and fiscal calculation of profits and the resulting difference in 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. 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 post retirement benefits

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

Provision for Environmental risk

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 Suritex 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.

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.

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

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

Expenditures

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

All costs relating to production, including maintenance and repair of production equipment, are accounted for as production costs ('lifting costs'), and are expensed as incurred.
The costs of the trade activities and electric energy are recorded as 'Other operational costs'.

Income tax

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

2 Accounting Standards and Interpretations

The consolidated financial statements are prepared in accordance with United States Generally Accepted Principles (US GAAP) for oil and gas industries in particular. The new standards/amendments of 2011 are not applicable, or where applicable the adoption of the standards did not have a material impact on the Company's financial statements.

3 Accounting and Disclosure Changes

This paragraph gives an overview of the significant accounting and disclosure changes. In accordance with US GAAP, changes have been made in 2011 regarding deferred income tax related to the unrealized gains and losses on short term investments, premiums and discounts regarding term loan and bonds and asset retirement obligations.

Unrealized gains and losses short term investments

Until 2010, the unrealized gains and losses on short term investments were recorded under the shareholder's equity, however without calculating the deferred income tax amount. In 2011 the deferred income tax related to the unrealized gains and losses short term investments is processed and the comparative 2010 figures are adjusted accordingly. Furthermore as US GAAP requires, 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.

Debt arrangement fees

In 2010 all the premiums and discounts (financing fees), which consist of the commitment fees, upfront fees and consultancy costs related to the issuing of the term loan and the bonds were fully charged to expense. US GAAP requires that all these financing fees should be capitalized and amortized as expense over the duration of the loan. The loans are presented net of the capitalized financing fees.

Asset Retirement obligations

US GAAP demands 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. However until 2011 no accretion expense was recorded, as the increase in the ARO was capitalized under Property Plant & Equipment. Both the 2010 and 2011 figures are presented as required and the net effect of accretion expense and depreciation on previous years, is adjusted in the shareholder's equity.

Restatement of Financial statements

We have restated the retained earnings and the net income for the fiscal year 2010 and before.

The restatement regards the following:

- Recording of accretion expense, resulting from the change in the passage of time in the asset retirement obligation, in the income statement and the balance sheet;
- Adjustment of deprecation in the income statement and the balance sheet;
- Adjustment related to financing fees in the income statement and the balance sheet;
- Adjustment of income tax charge in the income statement and the balance sheet;
- Adjustment of interest income in the income statement and the balance sheet.

Cumulative restatement adjustments to previously reported years

x US$ 1,000

	2010	2009
Reported shareholder's equity at period ending	531,990	439,216
Cumulative restatement adjustments to reported shareholder's equity	(13,164)	(7,693)
Restated shareholder's equity at period ending	518,826	431,523
Net income as reported	186,164	115,997
Net income restatement adjustments	5,471	-
Net earnings as restated	**191,635**	115,997

Furthermore additional disclosures have been made, which have no material impact on the Company's financial position and performance. These disclosures regard the following:

- **Risk and uncertainties**

  A number of key risks which could have an impact on the Company's performance are discussed in Chapter 4.1.

- **Critical accounting policies**

  Information about the key accounting policies and estimates that are made by the Company are mentioned in chapter 4.2.

- **Statement of other comprehensive income**

The statement for other comprehensive income is presented in chapter 6.4, consisting of unrealized gains and losses on short term investments, unrealized actuarial gains and losses regarding pensions and other postretirement benefit plans and the results of a foreign currency cash flow hedge. In this statement the gross amounts, tax effects and net amounts are presented explicitly.

- **Suspended exploratory well costs**

Information regarding the capitalization of suspended exploratory well costs is provided in note 12.

- **Pensions and other post retirement benefit plans**

In note 25, additional disclosures regarding the plan asset categories and the input levels for fair values of the pension benefit plan assets are included. Furthermore explanations regarding the trend rate in health care costs and the policy of the 'Stichting Pensioenfonds' with respect to the strategy for investing in plan assets are included.

■ **Supplemental information**

Certain supplemental information on oil producing activities is presented in five separate tables in chapter 11.

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

4 Cash and cash equivalents

	2011	2010
Cash at foreign banks	459,500	277,775
Cash at local banks	36,705	19,873
Total bank balance	496,205	297,648
Petty cash	583	594
	496,788	298,242

Cash and Cash equivalents include restricted cash of US$ 55.0 million (2010: US$ 60.0 million) related to the financing agreement with a syndicate of banks to fund Staatsolie's investment program 2008 – 2012. These funds can be utilized after certain disbursement conditions have been met.

5 Short-term investments

	2011	2010
Powisie Gold certificates	26,373	23,443
Shares	4,277	3,972
	30,650	27,415

Valuation of short-time investments is based on level 1 inputs.

6 Accounts receivable

	2011	2010
Accounts receivable in foreign currency (net)	46,744	47,315
Accounts receivable in Surinamese dollars (net)	4,816	6,046
	51,560	53,361

The accounts receivable include a provision for doubtful accounts of US$ 23,210,555 (2010: US$ 15,950,467).

7 Inventories

	2011	2010
Petroleum products	15,434	11,310
Materials and supplies (net)	6,275	6,608
Ordered goods	670	7,730
	22,379	25,648

Materials and supplies include a provision for obsolete items of US$ 4,115 (2010: US$ 9,814).

8 Prepaid expenses and other current assets

	2011	2010
Loan and interest N.V. EBS regarding 'Substation TLF'	2,125	2,012
Prepaid expenses Joint Venture POC/Tullow oil	4,647	3,140
Prepaid insurance costs	1,383	1,146
Prepaid purchased goods and services	22,318	-
Other prepaid expenses	14,484	1,236
	44,957	7,534

9 Investments

This regards the backservice pension costs related to the insured pension plan.

10 Unamortized debt arrangement fees

The prepaid expenses of consultancy fees, upfront fee and commitment fees are amortized over the duration of the 7% bond and the term loan which is 5 years. The unamortized debt arrangement fees are subtracted from the 7% bond and the term loan. In 2010 the unamortized fees of the term loan exceeded the withdrawal with US$ 3.2 million.

11 Goodwill

On September 1, 2011, Staatsolie Maatschappij Suriname N.V. acquired Suritex N.V., a subsidiary of Chevron Caribbean Inc. For the purpose of this acquisition, the local retail business of Chevron Caribbean was transferred into Suritex N.V. This wholly owned subsidiary is currently involved in the retail business of oil products. Suritex N.V. is a limited liability company. Staatsolie obtained control over Suritex N.V. by the purchase of all its shares. With this transaction Staatsolie Maatschappy Suriname N.V. became the sole shareholder of Suritex N.V. The primary reason for the acquisition is to use the retail facilities of Suritex N.V. for the distribution of the petroleum products, produced by the expanded Staatsolie Refinery.

The transaction was accounted for using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed, are to be recognized at their fair values as of the acquisition date.

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the acquisition of a business. In the consolidated income statement Suritex N.V. contributes revenue of US$ 64.4 million and a profit after tax of US$ 0.2 million.

Certified welders will be employed for the construction of the new refinery

12 Property, plant and equipment

Movements in 2011 in property, plant and equipment are as follows:

	2011		
	Wells & equipment	Pipelines	Total oil properties
Investments January 1	432,650	17,021	449,671
Acquisition current year	-	-	-
Disinvestments current year	(340)	-	(340)
Capitalized current year 1	51,703	239	51,942
Total investments December 31	484,013	17,260	501,273
Total depreciation January 1	(256,632)	(14,538)	(271,170)
Depreciation acquisition	-	-	-
Depreciation disinvestments current year	203	-	203
Depreciation reversal icw accretion expense	213	21	234
Depreciation current year	(23,374)	(438)	(23,812)
Total depreciation value December 31	(279,590)	(14,955)	(294,545)
Book value as at December 31	**204,423**	**2,305**	**206,728**

A lab assistant prepares sugar cane juice to measure the sugar content

	2011					2010
	Refinery	Power plant	Other fixed assets	Projects in progress	Total tangible fixed assets	Total tangible fixed assets
	66,969	35,554	127,318	101,889	781,401	684,897
	-	-	23,207	-	23,207	-
	-	(310)	(1,083)	-	(1,733)	(10,200)
	12,975	338	11,102	107,121	183,478	106,705
	79,944	35,582	160,544	209,010	986,353	781,402
	(52,383)	(7,124)	(62,292)	-	(392,970)	(377,932)
	-	-	(15,597)	-	(15,597)	-
	-	158	892	-	1,253	8,421
	12	3	-	-	249	11,171
	(4,358)	(2,086)	(7,362)	-	(37,618)	(34,631)
	(56,729)	(9,049)	(84,359)	-	(444,682)	(392,971)
	23,215	**26,533**	**76,185**	**209,010**	**541,671**	388,432

Investment in wells and equipment

The 2011 depreciation rate of 0.09 (2010: 0.09) for the Tambaredjo Field, 0.17 for the Calcutta Field (2010: 0.16) and 0.09 (2010: 0,02) for the Tambaredjo North-West Field are based on the Unit of Production Method, which is calculated by using the quotient of the annual production and the proven developed reserve, plus the production in the current fiscal year.

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

Asset retirement obligations

The following table summarizes the accretion related activity in the liability for asset retirement obligations:

	2011	2010
Balance as at January 1	73,817	65,685
Accretion expense	4,444	3,953
Addition subject to depreciation	2,987	4,179
Balance as at December 31	**81,248**	73,817

Wells and equipment

	2011	2010
Wells and equipment	437,409	388,732
Capitalized cost for dismantlement	46,604	43,917
	484,013	432,649
Less: accumulated depreciation	(279,590)	(256,632)
Book value wells and equipment	**204,423**	176,017

Suspended Exploratory Well Costs

The amount of capitalized exploratory well costs that is pending the determination of proved reserves. The following two tables provide details of the changes in the balance of suspended exploratory well costs as well as an aging summary of those costs.

Change in capitalized suspended exploratory well costs

	2011	2010
Balance as at January 1	7,713	9,488
Additions pending determination of proved reserves	5,460	3,018
Charge to expense	(8,975)	(4,580)
Reclassifications to wells, facilities & equipment based on the determination of proved reserves	(1,017)	(213)
Balance as at December 31	**3,181**	7,713

Period end capitalized suspended exploratory well costs

	2011	2010
Capitalized for a period of one year or less	958	1,529
Capitalized for a period between one and two years	-	3,533
Capitalized for a period between two and three years	2,223	2,651
Capitalized for a period greater than one year - subtotal	2,223	6,184
Balance as at December 31	**3,181**	7,713

Exploration activity often involves drilling multiple wells, over a number of years, to fully evaluate a project. The table below provides a breakdown of the number of projects with the suspended exploratory well costs which had their first capitalized well drilled in the preceding 12 months and those that have had exploratory well costs capitalized for a period greater than 12 months.

Breakdown of number of projects with suspended exploratory well cost

	2011	2010
Number of projects with first capitalized well drilled in the preceding 12 months	1	-
Number of projects that have exploratory well costs capitalized for a period greater than 12 months	4	5
Total	**5**	5

Pipelines

The pipeline facilities that transport fuel oil from Tout Lui Faut to Paranam were put into use in July 2000. This pipeline is depreciated on a straight-line basis over a period of 15 years.

Refinery

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

Refinery assets comprise the following:

	2011	2010
Land and land improvement	1,666	1,666
Crude desalting and vacuum unit, visbreaker unit, tankfarm and utilities	57,507	56,781
Distributed control system	1,825	1,825
Crude storage tanks	16,298	4,166
Capitalized cost for dismantlement	2,648	2,531
	79,944	66,969
Less: accumulated depreciation	(56,729)	(52,383)
Total refinery assets	**23,215**	14,586

Power plant

The power plant assets are depreciated on a straight-line basis. The buildings and production hall are depreciated at respectively 5% and 10%, inventory at 33 1/3 %, tank battery at 20%, powerhouse equipment at 5% to 50%, other units are depreciated at 5% to 20% annually.

Power plant's assets comprise the following:

	2011	2010
Buildings and production hall	3,299	3,315
Steam boilers and metering	1,148	1,148
Yard	300	300
Field equipment	3,532	3,532
Fuel treatment	248	248
Electric installation	1,643	1,643
Inventory	148	148
Powerhouse equipment	23,727	23,625
Tank battery	768	768
Capitalized cost for dismantlement	769	827
	35,582	35,554
Less: accumulated depreciation	(9,049)	(7,124)
Total power plant assets	**26,533**	28,430

Other fixed assets

With the exception of freehold estate, properties outside the production field are being amortized on a straight-line basis, based on the expenditures incurred in acquiring the long lease and on the terms of the lease. Freehold estates are not depreciated.

The annual depreciation percentage for buildings is 10%, telecommunication equipment 20%, dock TLF 4% and oil tanker 10%. Drilling machinery and heavy equipment are depreciated annually at 20%, transportation equipment at 33 1/3 % and office furniture, fixtures and similar assets at 50%. Where applicable a residual value is taken into consideration.

Other fixed assets comprise the following:

	2011	2010
Properties & Dock TLF	49,379	46,806
Buildings and installations	52,487	30,850
Oil tankers	7,921	7,441
Drilling machinery, heavy equipment and transportation	24,542	19,971
Office furniture, fixtures and tools	26,215	22,250
	160,544	127,318
Less: accumulated depreciation	(84,359)	(62,292)
	76,185	65,026

13 Minority interest Ventrin

The amount of US$ 80,833 regards the minority interest of 1.6% in Ventrin in name of Entech Limited.

14 Accounts payable

	2011	2010
Accounts payable in foreign currencies	10,154	5,106
Accounts payable in Surinamese dollars	10,674	565
	20,828	5,671

15 Bank overdraft

Ventrin has a credit facility with a limit of US$ 3 million. Interest is charged on the outstanding balance at a current effective rate of 5.75% per year. Borrowings of Ventrin amounted to US$ 3,192,565.

16 Accrued liabilities

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

	2011	2010
Cash dividend	19,459	31,440
Financial instruments (Foreign Currency Exchange) Hedge	12,956	-
Allowances payable to management and personnel	5,558	3,985
Allocation for community development projects	600	750
Payables regarding consultancy and other services	2,759	2,621
Other short term provisions	2,197	1,866
Sales expenses	86	669
Accrued interest	1,534	1,007
Other payables	11,473	334
	56,622	42,672

17 Income and other taxes

	2011	2010
Income tax	36,786	34,447
Other taxes and social security	(1,181)	(8,597)
	35,605	25,850

The other taxes and social security of 2011 include credit balances of US$ 7,279,058 (2010: US$ 5,678,839) regarding Staatsolie value added taxes and US$ 2,861,143 (2010: US$ 4,744,279) regarding Ventrin value added taxes.

18 Short-term portion of Term Loan

At the end of the financial year 2011, the three installments totaling US$ 37.5 million regarding the term loan, which are due within one year, have been recorded as short-term debt. The remaining balance of US$ 179.8 million has been recorded as long-term debt.

19 7% Bond

On May 14, 2010, Staatsolie issued a five-year 7% unsecured coupon bond, which is due on May 14, 2015. Interest is paid semi-annually on May 14 and November 14 each year.

20 Term Loan

Staatsolie concluded a secured long-term loan agreement with a syndicate of regional and international banks. The secured long-term loan was concluded for US$ 235 million, US$ 225 million term loan and US$ 10 million revolving loan. In the forth quarter of 2011, an amount of US$ 168 million was withdrawn from the term loan. Repayment of the term loan is planned for 14 quarterly installments, 13 installments of US$ 12.5 million and the last installment of US$ 62.5 million. The first quarterly installment is due for the second quarter of 2012. and the last installment is due for the third quarter 2015. With regard to the term loan, the financial institutions required security for Staatsolie's payment obligations. This security consists of, among others, the offshore receivables and offshore accounts. Staatsolie also has to comply with several affirmative and negative covenants. As of December 31, 2011, Staatsolie is in compliance with the covenants within the debt agreement.

21 FCIB long/ medium term loan facility

Ventrin obtained two loan facilities from First Caribbean International Bank (Trinidad and Tobago) in August 2011. The first, being a USD Medium Term Demand Loan of US$ 2 million to assist with capital expenditure program-pipeline installation and water tank system. The second facility is another USD Medium term demand loan of US$ 3.2 million to assist with partial reduction of parent company loans on Balance Sheet date. These two facilities will mature on August 8th, 2016. With regard to these loans a guaranty was issued by Staatsolie supported by a Stand-By Letter issued by their bankers, First Caribbean Curacao in favor of First Caribbean Trinidad & Tobago to be held for the duration of the facility. Furthermore guaranties were provided through an assignment of Ventrin's Terminal Operators Package Insurance all Risks and Business Interruption Policy and Marine Cargo Insurance Policy in favor of the Bank and also through the transfer & assignment of an existing Registered 1st Legal Demand Debenture over the fixed and floating assets of the Company.

22 Deferred income taxes

Movements in 2011 in the deferred income taxes were as follows:

	2011	2010
Balance as at January 1	62,869	52,323
Movement due to:		
Difference between commercial and fiscal calculation of profit	14,003	11,121
Unrealized losses on inventory subsidiaries	(239)	-
Unrealized financial gains/ losses from investment in pension plan and post retirement benefits	(7,408)	(2,033)
Unrealized financial gains/ losses from hedge	(4,664)	-
Unrealized financial gains/ losses from short-term investments	(64)	1,458
Balance as at December 31	**64,497**	**62,869**

23 Provision for dismantlement and abandonment

Provision for dismantlement and abandonment comprises the following:

	2011	2010
Production field in 2011: 1,418 wells (2010: 1,357 wells)	68,925	62,561
Production facilities: Saramacca and pipeline to TLF	6,129	5,466
Refinery and pipeline to Paranam	5,209	4,804
Power plant	985	986
	81,248	73,817

24 Provision for pensions and other post retirement benefits

	2011	2010
Unfunded accrued pension benefits, insured pension plan	825	991
Unfunded accrued pension benefits, health care plan	15,539	9,788
	16,364	10,779

25 Provision for pension plan

The provision for pension plan to the amount of US$ 24,210,799 includes an amount of US$ 194,789 for Suritex N.V. and US$ 24,015,990 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 post retirement benefits

Staatsolie maintains 3 plans with regard to pensions and post retirement 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.

The benefit obligation and plan assets associated with the benefit plans are measured as at December 31, as follows:

	Pension benefits		Insured pension benefits		Postretirement health care	
	2011	2010	2011	2010	2011	2010
Benefit obligation as at December 31	(83,592)	(60,395)	(825)	(991)	(20,196)	(14,092)
Fair value of plan assets as at December 31	59,576	53,943	-	-	4,657	4,304
Funded status as at December 31	(24,016)	(6,452)	(825)	(991)	(15,539)	(9,788)

(in %)	Pension benefits		Insured pension benefits		Postretirement health care	
Actuarial assumptions	**2011**	2010	**2011**	2010	**2011**	2010
Actuarial discount rate	4.0	5.2	4.0	5.2	4.0	6.0
Expected return on plan assets	6.5	6.5	-	-	-	-
Adjustment for inflation and salary developments	4.0	4.0	4.0	4.0	-	-
Rate of benefit increase	2.5	2.5	-	-	-	-

The measurement of the accumulated postretirement benefit obligation assumes an initial health care cost trend rate of 6.0%. A one percentage point increase in the health care cost trend rate would increase service and interest cost by US$ 0.6 million and the accumulated postretirement benefit obligation by US$ 5.4 million. A one percentage point decrease in the health care cost trend rate would decrease service and interest cost by US$ 0.45 million and the accumulated postretirement benefit obligation by US$ 4.1 million.

The expected increase of medical cost is rated at 6.0% annually.

	Pension benefits		Health care	
	2011	2010	**2011**	2010
Employer's contribution	(3,110)	(2,800)	-	-
Employee's contribution	(1,099)	(933)	-	-
Benefits paid	313	280	48	56

	Pension benefits			Insured pension benefits			Postretirement health care		
As at December 31	2010	**2011**	2012	2010	**2011**	2012	2010	**2011**	2012
Service costs	(2,998)	(3,588)	(4,948)	(46)	(46)	(52)	(716)	(851)	(1,281)
Interest costs	(2,802)	(3,141)	(3,302)	(39)	(52)	(33)	(664)	(729)	(794)
Return on assets	3,208	3,214	3,992	-	-	-	258	279	303
Unrecognized transition costs	(21)	(21)	(21)	(9)	(59)	-	(121)	(121)	(121)
Unrecognized prior service costs	(176)	(176)	(176)	(6)	(36)	-	-	-	-
Unrecognized gains/losses	(202)	(452)	(1,340)	-	(14)	-	(192)	(220)	(449)
Net pension costs	(2,991)	**(4,164)**	(5,795)	(100)	**(207)**	(85)	(1,435)	**(1,642)**	(2,342)

Change in Benefit Obligation	Pension benefits 2011	Pension benefits 2010	Insured pension benefits 2011	Insured pension benefits 2010	Postretirement health care 2011	Postretirement health care 2010
Benefit obligation as at January 1	(60,395)	(50,035)	(991)	(701)	(14,092)	(11,936)
Service costs	(3,587)	(2,998)	(46)	(46)	(851)	(716)
Interest cost	(3,141)	(2,802)	(52)	(39)	(729)	(664)
Benefits	313	280			58	56
Actual gains/(losses)	(16,782)	(4,840)	265	(205)	(4,583)	(832)
Benefit obligation as at December 31	**(83,592)**	(60,395)	**(825)**	(991)	**(20,196)**	(14,092)

Change in Plan Assets	Pension benefits 2011	Pension benefits 2010	Insured pension benefits 2011	Insured pension benefits 2010	Postretirement health care 2011	Postretirement health care 2010
Fair value of plan assets as at January 1	53,944	47,635			4,295	3,976
Contributions	3,303	3,925			135	150
Benefits paid	(313)	(280)			(48)	(56)
Actual return on assets	2,642	2,663			275	234
Fair value of plan assets at December 31	**59,576**	53,943			**4,657**	4,304

Change in Other Comprehensive Income	Pension benefits 2011	Pension benefits 2010	Insured pension benefits 2011	Insured pension benefits 2010	Postretirement health care 2011	Postretirement health care 2010
Other comprehensive income as at January 1	16,522	11,537	303	113	6,406	5,862
Unrecognized Transition Cost	(21)	(21)	(59)	(9)	(121)	(121)
Unrecognized Prior Service Costs	(176)	(176)	(36)	(6)	-	-
Unrecognized Gains/ Losses	(452)	(202)	(14)	-	(220)	(192)
(Gain)/ Losses	17,354	5,384	(265)	205	4,587	857
Other comprehensive income at December 31	**33,227**	16,522	**(71)**	303	**10,652**	6,406

The strategy of the 'Stichting Pensioenfonds' for investing the plan assets into the different asset classes is based on the guidelines of the 'Centrale Bank van Suriname', prescribing maximum thresholds for certain asset categories. The 2011 fair value of the benefit plan assets, including the level within the fair value hierarchy, is shown in the table on the next page.

	x US$ 1,000	%	Level 1 Quoted prices in active markets for identical assets or liabilities	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
1. Real Estate	18,927	32	-	18,927	-
2. Securities	5,360	9	-	-	-
Shares	2,812	-	2,467	345	-
Trust Companies	2,348	-	2,348	-	-
Other	200	-	-	-	200
3. Debt Securities	-	3	-	-	-
Corporate Bonds	1,900	-	-	1,900	-
4. Mortgage Loans	27,065	45	-	27,065	-
5. Cash and cash equivalents	5,614	10	5,614	-	-
6. Other Current assets	710	1	-	-	710
	59,576	**100**	**10,429**	**48,237**	**910**

The valuation techniques used to measure the fair value of the plan assets are as follows:

1. Real estate, fair value is based on appraised values established by a certified entity using comparable market oriented prices.
2. Equity securities, measurement of fair value depends on the type of investment: Shares and investments in trust companies are based on quoted prices, derived from active security exchanges market. The shares, categorized as level 2, are valued with input other than quoted prices that are observable for the investment. Other, is treated as a level 3, which is derived from the data regarding the profile and status of this investment.
3. Corporate bonds, valuation is established by other than quoted prices that are observable for these bonds.
4. Mortgage loans, fair value is based on appraised values of collateral established by a certified entity using comparable market oriented prices.

26 Provision for environmental risk

In 2011 Staatsolie took over the Chevron marketing activities of Chevron in Suriname, which included 22 petrol stations and 3 oil terminals. To comply with the national regulation the sites have to be remediated. The estimated cost for remediation of these sites is US$ 2,219,750.

It is expected that all provided Environmental, Health and Safety measures will be started and finalized in the upcoming 2 -3 years.

27 Hedge

In 2011 Staatsolie entered into foreign currency exchange contracts in relation to projects to hedge against the risk of fluctuations in foreign currency exchange rates for expenditures in currencies other than the project currency. Staatsolie has designated certain foreign currency exchange contracts as cash flow hedges. For such contracts designated and that qualify as cash flow hedges gains and losses related to project specific currency transactions are recognized as part of Staatsolie's accumulated other comprehensive income/(loss).

The total notional amounts as per contract and the fair values of Staatsolie's foreign currency exchange contracts, all accounted for as cash flow hedges, as at December 31, 2011 are as follows:

x US$ 1,000	As at December 31, 2011	
	Notional	Fair Value
Forward Exchange Agreements		
(Receive €/ Pay US$)		
Aggregate Amount	172,226	(12,956)

These foreign currency exchange contracts mature on various dates through 2012 and are included at fair value in the accrued liabilities. The fair value is calculated by multiplying the nominal amounts with the difference between the contract rates and the forward rates (level 2 inputs).
Staatsolie recorded on the foreign currency exchange contracts a loss in the amount of US$ 8.3 million, recognized in the other comprehensive income and a loss of US$ 1.2 million in the income statement.

28 Off-balance commitments and contingencies

As at December 31, 2011, the off-balance commitments and contingencies consist of the following:

	2012	2013-2016	Total
Long-term (sales) contracts	345,928	10,261	356,189
Long-term refinery expansion contract	307,801	67,734	375,535
Operational lease	10,876	36,884	47,760
Claims	2,102	-	2,102
Study grants	372	985	1,357
	667,079	**115,864**	**782,943**

29 Net revenues per product

	2011		2010	
	x 1,000 Bbls		x 1,000 Bbls	
Local refined products (gross)	5,886	605,879	5,801	438,794
Intra-company sales	453	46,764	120	10,570
Local refined products (net)	5,433	559,115	5,681	428,224
Trading activities	1,622	215,401	1,570	130,444
Electric energy *)		7,717		7,139
Total gross revenues	**7,055**	**782,233**	7,251	565,807
Net revenue local refined products after deduction of direct sales costs, including electric energy				
		761,717		544,565
Other sales related revenue				
- inventory change oil stock		7,934		2,986
- other revenues		1,104		167
Net sales revenue	**7,055**	**770,755**	7,251	547,718

*) The generated electric energy in 2011 was 48,111,259 kWh. (2010: 79,602,998 kWh). The reported revenues include damages amounts charged according to the Power Purchase Agreement.

30 Depreciation

The breakdown of the depreciation expenses is as follows:

	2011	2010
Wells and equipment	23,161	20,267
Pipelines	417	378
Refinery	4,346	4,038
Power plant	2,083	1,816
Other fixed assets	7,362	8,132
	37,368	34,631

31 Other operational costs

The breakdown of the other operational costs is as follows:

	2011	2010
Trading activities Staatsolie	41,448	31,532
Electric energy	4,834	3,715
Paradise Oil Company	298	293
Trading activities Ventrin	69,763	89,100
Suritex N.V.	62,774	-
	179,117	124,640

32 Income tax charge

The income tax comprises of:

	2011	2010
Current tax expense or benefit	(137,957)	(95,569)
Deferred tax expense or benefit	(14,003)	(11,121)
	(151,960)	(106,690)

Reconciliation statutory with effective tax rate:	2011	2010
Suriname statutory income tax rate	36%	36%
Effect of unrecognized tax credits	1%	-
Effective tax rate	**37%**	36%

Tax losses carry forward

Ventrin has accumulated tax losses of approximately US$ 16 million (2010: US$ 14.5 million) available for offset against future taxable profits. These losses have no expiry date in Trinidad and Tobago.

VIII. Financial Statements Staatsolie

During the Agro, Made in Suriname and ICT Fair 2012 the visitors were very interested in the Refinery Expansion Project (above) and in the exploration en production operations in the District Saramacca.

1 Balance Sheet as at December 31, 2011
(after distribution of earnings)

x US$ 1,000

Assets	**2011**	2010
Current assets		
Cash and cash equivalents	460,318	291,355
Short-term investments	30,650	27,415
Accounts receivable	57,500	58,870
Inventories	14,668	21,866
Prepaid expenses and other current assets	60,675	17,978
	623,811	417,484
Investments		
Pension plan	-	43
Equity investment	13,171	-
	13,171	43
Unamortized debt arrangement fees	-	3,201
Goodwill	5,447	-
Property, plant and equipment		
Oil properties		
Evaluated properties	204,423	176,017
Pipelines	2,305	2,484
	206,728	178,501
Refinery	23,215	14,586
Power plant	26,533	28,430
Other fixed assets	66,886	62,760
	323,362	284,277
Projects in progress	209,119	101,949
	532,481	386,226
Total assets	**1,174,910**	806,954

Paramaribo, May 11, 2012

The Board of Executive Directors:

M.C. Waaldijk	Managing Director
G.P. Sairras	Production & Development Director
I.J. Poerschke	Finance Director

x US$ 1,000

Liabilities	2011	2010
Current liabilities		
Accounts payable	11,294	2,213
Accrued liabilities	57,819	43,331
Income and other taxes	28,579	28,179
Short-term portion of Term Loan	37,500	-
	135,192	73,723
Long-term debt		
7% Bond	54,999	54,956
Term Loan	179,752	-
	234,751	54,956
Provisions		
Deferred income taxes	64,443	62,607
Dismantlement and abandonment	81,248	73,817
Provision for pensions and other postretirement benefits	16,363	10,779
Pension plan	24,016	6,451
	186,070	153,654
Shareholder's equity	618,897	524,621
Total shareholder's equity & liabilities	**1,174,910**	806,954

Paramaribo, May 11, 2012

The Supervisory Board:

E. Boerenveen	Chairman
S. Marica	Member
G. Asadang	Member
R. Graanoogst	Member
A. Hilversum	Member
F. Kasantaroeno	Member
E. Poetisi	Member

2 Income Statement 2011

x US$ 1,000

	2011	2010
Revenues from		
Production & Refining	599,366	438,794
Trading activities	43,757	30,892
Electric energy	7,717	7,139
Gross revenues	650,840	476,825
Inventory variation	7,742	2,986
Net income from equity investment Suritex N.V.	203	-
Other revenues	950	167
	659,735	479,978
Less: export-, transport- and sales costs	(20,516)	(21,242)
Net revenues	639,219	458,736
Exploration expenses including dry holes	(37,839)	(10,267)
Production expenses	(37,135)	(33,419)
Refinery expenses	(10,338)	(10,623)
Depreciation	(36,719)	(34,360)
Accretion expenses	(4,444)	(3,953)
Other operational costs	(46,479)	(35,414)
Operating income	466,265	330,700
General and administrative expenses	(26,912)	(24,154)
Refinery expansion	-	(6,135)
Expensed projects	(8,729)	-
Financial income	(13,680)	(682)
Earnings before tax	416,944	299,729
Income tax charge	(152,040)	(106,559)
Net profit	**264,904**	**193,170**

Paramaribo, May 11, 2012

The Board of Executive Directors:

M.C. Waaldijk	Managing Director
G.P. Sairras	Production & Development Director
I.J. Poerschke	Finance Director

The Supervisory Board:

E. Boerenveen	Chairman
S. Marica	Member
G. Asadang	Member
R. Graanoogst	Member
A. Hilversum	Member
F. Kasantaroeno	Member
E. Poetisi	Member

3 Notes to Staatsolie Balance Sheet

The accounting principles used for the consolidated financial statements are also applicable for the financial statements of Staatsolie.
Stated below are the specific notes applicable for the financial statements regarding the equity investment and the shareholder's equity in the balance sheet.

Equity investment

This account regards the majority interest in affiliated companies.
Equity investments are accounted for using the equity method.
Staatsolie has a 98.4% interest in Ventrin Petroleum Company Limited. Ventrin is a bunkering company incorporated in the Republic of Trinidad and Tobago. The net loss of Ventrin in 2011 amounted to US$ 1,971,678. The negative net capital value of the 98.4% interest in Ventrin of US$ 4,971,229, being the cumulative negative result as at December 31, 2011. Based on this, the equity investment is valued at nil.

Paradise Oil Company N.V. (POC) is a wholly owned subsidiary of Staatsolie and is domiciled in Suriname. In 2011, POC has a negative net asset value of US$ 934,807 and therefore the participation was valued at nil. The net loss of POC in 2011 amounted to US$ 234,767.

Suritex N.V. is a wholly owned subsidiary of Staatsolie and is domiciled in Suriname. The participation in Suritex is valued at US$ 13.2 million, including the net income after tax of US$ 202,683.

Shareholder's equity

The difference between corporate and consolidated shareholder's equity is disclosed on page 44.

IX. 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.

2011 distribution of earnings

In 2011, a net profit was realized of US$ 262 million. Management proposed a cash dividend of 55%, profit sharing for management and personnel, a reserve for environmental risk and the remaining balance to be added to the general reserve.

2 Adoption of Financial Statements of the Preceding Fiscal Year

The 2010 Financial Statements were adopted at the General Meeting of Shareholders held on May 23, 2011 and included Management's proposal for the appropriation of the 2010 profit.

3 Subsequent events after balance sheet date

As at April 16, 2012 Staatsolie Power Company Suriname was transformed into a limited liability company. The company name is: Staatsolie Power Company Suriname N.V.

X. Five years Consolidated Income Statements

x US$ 1,000

	2011	2010	2009*	2008*	2007*
Gross revenues	782,233	565,807	424,597	575,838	336,432
Net revenues	770,755	547,718	413,112	564,947	331,877
Exploration expenses including dry holes	(37,944)	(10,385)	(30,283)	(5,366)	(3,963)
Production expenses	(37,135)	(33,419)	(28,953)	(26,141)	(20,216)
Refinery expenses	(10,338)	(10,623)	(9,131)	(10,679)	(8,148)
Depreciation	(37,368)	(34,631)	(35,154)	(36,242)	(34,266)
Accretion expenses	(4,444)	(3,953)	-	-	-
Other operational costs	(179,117)	(124,640)	(83,013)	(99,530)	(27,011)
Operating income	464,409	330,067	226,578	386,989	238,273
General and administrative expenses	(26,915)	(24,156)	(20,101)	(24,155)	(13,287)
Refinery expansion	-	(6,135)	(30,763)	-	-
Expensed projects	(8,729)	-	-	-	-
Impairment of equity investment	-	-	(148)	(7,379)	(377)
Financial expense and income	(14,452)	(1,474)	5,143	4,411	3,688
Earnings before tax	414,313	298,302	180,709	359,866	228,297
Income tax	(151,960)	(106,690)	(64,741)	(129,389)	(81,622)
Earnings after tax	262,353	191,612	115,968	230,477	146,675
Minority interest Ventrin	32	23	29	16	-
Net profit	**262,385**	191,635	115,997	230,493	146,675

*) Excluding effects of 2011 restatements. (See note 3)

XI. Supplemental Information on Oil Producing Activities (Unaudited)

In accordance with FAS 69, 'Disclosures about oil producing activities', Staatsolie is required to present certain supplementary information on oil exploration and producing activities. This section provides the supplemental information in five separate tables.

Table 1 through table 3 provide historical information regarding costs incurred in exploration, property acquisitions and development, capitalized cost regarding oil producing activities, result of operations for oil producing activities. Table 4 and 5 present information on Staatsolie's estimated proved reserve quantities and standardized measure of estimated discounted future net cash flows related to proved reserves.

1 Cost incurred in exploration, property acquisition and development for the year ended December 31, 2011

x US$ 1,000	2011
Acquisition of properties	-
Exploration costs	38,045
Development costs	70,434
End of the year	**108,479**

2 Capitalized Cost relating to oil producing activities as at December 31, 2011

x US$ 1,000	2011
Proved oil properties	437,409
Accumulated depreciation	(252,063)
Net capitalized costs	**185,346**

3 Results of operations for oil producing activities for the year ended December 31, 2011

x US$ 1,000	2011
Revenues	
Sales	601,836
Transfers	47,799
Total	649,635
Production costs	(37,665)
Exploration costs	(37,839)
Depreciation and provisions	(32,418)
	541,713
Income tax expenses	(152,070)
Results of operations from producing activities (excl. corporate overhead interest cost)	
	389,643

4 Reserve Quantity Information for the years ended December 31, 2011 and 2010

Proved developed and undeveloped reserves (x 1,000 Bbls)	2011	2010
Beginning of the year	72,000	78,900
Revisions of previous estimates	10,000	(2,200)
Improved recovery	-	-
Extensions and Discovery	800	1,100
Production	(6,000)	(5,800)
End of the year	**76,800**	72,000

Proved developed reserves	2011	2010
Beginning of the year	50,400	55,200
End of the year	56,700	50,400

Proved undeveloped reserves	2011	2010
Beginning of the year	21,600	23,700
End of the year	20,100	21,600

Note: The oil reserves are located entirely within one geographic area in Suriname.

5 Standardized measure of discounted future net cash flows at December 31, 2011

Based on the oil price of US$ 95.72

x US$ 1,000	2011
Future cash inflows (a)	7,260,588
Future production and development costs (a)	(961,719)
Future income tax expenses (a)	(2,267,593)
Future net cash flows	4,031,276
10% annual discount for estimated timing of cash flows	(2,029,007)
Standardized measure of discounted future net cash flows	2,002,269

(a) Future net cash flows were computed using prices used in estimating the entity's proved oil reserves, year-end costs, and statutory tax rates (adjusted for tax deductions) that relate to existing proved oil reserves. The Society of Petroleum Engineers guidelines propose to use the average price of 2011 which is US$ 95.72 per barrel.