

ANNUAL REPORT 2010

Staatsolie Maatschappij Suriname N.V.



1980

STAATSOLIE

2010

Annual Report 2010

Staatsolie Maatschappij Suriname N.V.

- 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.

Vision 2020

- 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.

Mission

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.

Employee focus

We consider our employees the most distinctive factor to our success.

Growth

We shall focus on continuous growth and maximize shareholders' value.

Values

Integrity

We shall be honest and transparent in our dealings with employees, clients, suppliers, shareholders and the community in which we work.

Public spirit

As a responsible member of the community, we shall base our business principles on sustainable development and regard for the environment. Moreover, we shall make a strong contribution to the advancement of our society.

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1 Shareholder, Supervisory Board, Board of Executive Directors and Management as of December 31, 2010

The Republic of Suriname represented by:

- the President, His Excellency D.D. Bouterse, on his behalf
- the Vice President, R. Ameeralli.

Sole Shareholder

Bissumbhar N.	Chairman
Asadang G.	Member
Hilversum A.	Member
Kasantaroeno F.	Member
Marica S.	Member
Poerschke I.	Member

Supervisory Board

Waldijk M.C.	Managing Director
Kortram I.E.	Finance Director
Nuboer B.F.	Refining & Marketing Director
Sairras G.P.	Production & Development Director

Board of Executive Directors

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

Deputy Directors

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 Controlling
Jagesar A.	Manager Corporate Planning
Liems R.	Manager Engineering & Maintenance Services
Mac Donald D.	Manager Health, Safety, Environment & Quality
Nai Chung Tong A.	Manager Marketing
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

Division Managers

Brunings P.	Operations Manager Paradise Oil Company N.V.
Hughes C.	Operations & Maintenance Manager Refinery Expansion Project
Fränkel E.	Manager Hydro
Ketele T.	Sr. Project Manager Refinery Expansion
Kleiboer A.	Operations Manager Staatsolie Power Company Suriname

Managers Assigned

Supervisory Board as of December 31, 2010

N. Bissumbhar-Chairman



G. Asadang-Member



A. Hilversum-Member



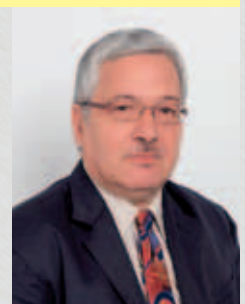
F. Kasantaroeno-Member



S. Marica-Member



I. Poerschke-Member



Board of Executive Directors as of December 31, 2010

Managing Director / A position he has held for the last five years. Graduated in Marine Engineering and joined Staatsolie in 1988 where he held a series of senior executive positions in both the upstream and downstream operations of the company. He was instrumental in the design and construction of a grassroots refinery and many other major projects. With approximately 15 years experience in the aluminum industry in Suriname as well as internationally, he gained extensive experience in heavy equipment repair and power plant operations and maintenance. On behalf of the Republic of Suriname he participated in several negotiating teams in the mining and energy sector. Presently he serves as a board member in several companies operating in gold, manufacturing, investment and industry sector in Suriname and also serves as an advisor to the Government with respect to development in the energy and mining sector.

Waldijk M.C.



Finance Director / Master in Business Administration from the Technical University Delft and the Erasmus University Rotterdam. Also graduated 'cum laude' as Master in Chemistry with a major in Industrial Economy at the University of Leiden. Member of the Supervisory Board of Staatsolie from 1984 – 1994. Employed with Staatsolie from December 1994 – December 2010, as Finance Director. Member of the Supervisory Board of Ventrin Petroleum Company and Diakonessenhuis. Chairman of the Arrears Committee.

Kortram I.E.



Refining & Marketing Director / Refinery Expansion Project Director. Master degree in Mechanical Engineering and Agricultural Engineering from the Texas A&M University in College Station, Texas. Bachelor's degree in Mechanical Engineering from the University of the Netherlands Antilles. Joined Staatsolie Maatschappij Suriname N.V. in 1983 and appointed as member of the Executive Board in 1996. Current position is Director Refining & Marketing, and assigned to the Refinery Expansion project as Project Director. Member of the Supervisory Board of the Surinaamse Brouwerij N.V., Moboco N.V. and the DSB Bank. Member of the Rotary Club Paramaribo Residence.

Nuboer B. F.



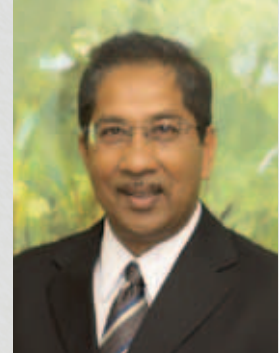
Production & Development Director / Has a BSc degree in Chemical Engineering and gained 15 years experience in Bauxite/Aluminum industry in several staff and management functions and 4 years experience in alcoholic distillery and processing. Joined Staatsolie in 1994 and held position of Manager Engineering & Development, Manager Production Operations, Deputy Director Exploration & Production and Director Production & Development effective November 2009. Is a member of the Supervisory Board of Clean Caribbean & Americas (CCA), an Oil Spill Response cooperation in Fort Lauderdale, USA.

Sairras G.P.



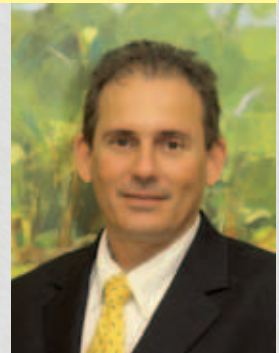
Deputy Director Exploration & Petroleum Contracts / Masters degree in Petroleum Business Engineering from the Delft University of Technology and a BSc degree in Chemical Engineering from HTS Hengelo, the Netherlands. Joined Staatsolie in 1985 and held several positions within the company. He is also Director of Paradise Oil Company N.V. (POC), a 100% subsidiary of Staatsolie.

Dwarkasing B. W.



Deputy Director Business Development / Master degree in Construction Engineering from the Eindhoven University of Technology and currently Acting Refinery Expansion Project Director. Rudolf joined Staatsolie in April 2009 as Deputy Director Business Development and has extensive international project experience. Previously, he served as Vice President Development for BHP Billiton Suriname responsible for mine development. He has held various managerial roles in international projects both on the owner's side and on the contractor's side.

Elias R. T.



Deputy Director Finance / International Executive Master in Finance and Control degree (Register Controller) from the University Maastricht Business School and University of Amsterdam-Amsterdam Business School, and preceded by a Master degree in Business Economics from the Anton de Kom University of Suriname. Joined Staatsolie in 1994 and held several positions within the Finance Directorate. She is also a member of the Supervisory Board of Hakrinbank N.V. and Paradise Oil Company Suriname N.V.

Moensi-Sokowikromo A. K.



Deputy Director Refining & Marketing / Graduated from the "Hogere Technische School - HTS" in The Netherlands. Joined Staatsolie in January 1989 and served as Project Manager in charge of the construction of the 55 kilometers pipeline from Saramacca to Tout Lui Faut and after that as Project Engineering Manager of the construction of the refinery. He also held the positions of Chief Engineer, Manager Refining Operations, Manager Marketing and Manager Procurement.

Murli S.

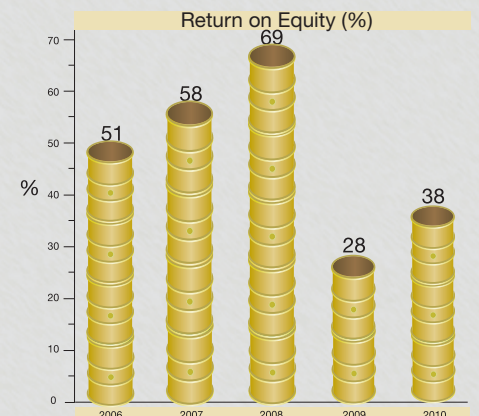
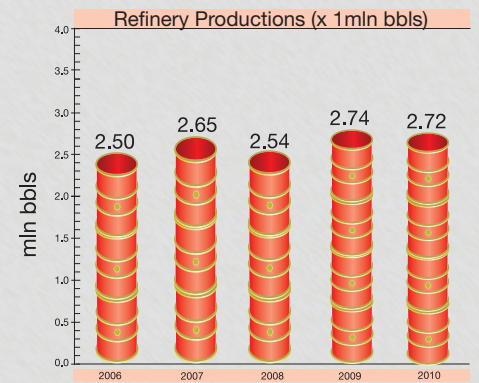
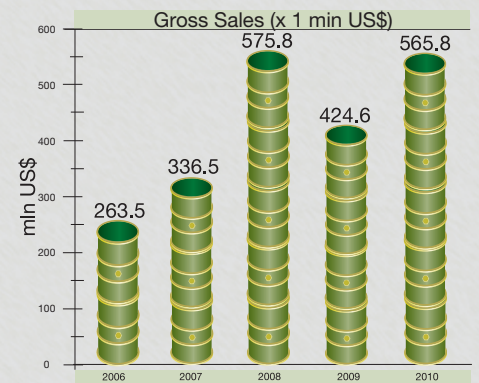
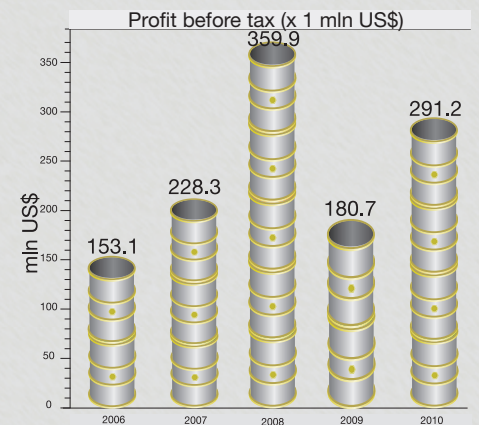
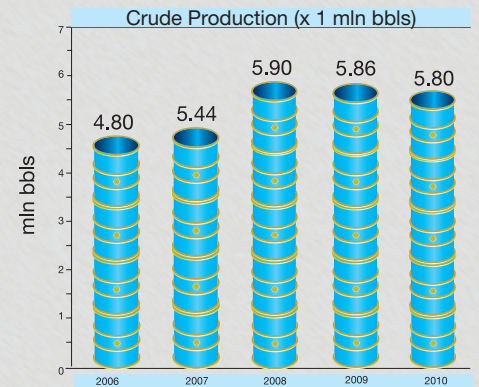


2 Report of the Managing Director

It is an honor to present you the 2010 Annual Report of Staatsolie Maatschappij Suriname N.V. In 2010 we commemorated our 30th anniversary. In these 30 years, the Staatsolie family reached many goals with the credo in mind 'Confidence in our Own Abilities'. The successes enabled the company to contribute to the development of Suriname. Staatsolie did not let its 30th anniversary go unnoticed. A good impression of the activities associated with the celebration of this joyous event, is given by the pictures in this report. We are proud to be able to state that in the past three decades Staatsolie has developed into a financially strong company, and has become the largest single contributor to the government's budget. The year 2010 was no exception to the strong financial results. Our gross revenues amounted to US\$ 566 million. The resulting consolidated profit before tax amounted to US\$ 291 million, and the contribution to the government's budget for the fiscal year 2010 was US\$ 195 million of which US\$ 101 million for tax obligations and US\$ 94 million as dividend.

National elections were held in 2010, and on August 13, 2010, a new Administration, headed by President D.D. Bouterse, took office. The Republic of Suriname is Staatsolie's sole shareholder. For this term, Vice President R. Ameeralli will be the government's representative on behalf of the President. The investment plans for the realization of Vision 2020, including diversifying the product portfolio through the expansion of the refinery and the development of renewable energy sources, hydroelectric power and ethanol enjoy the full support of the new government. With this support we are able to work towards the realization of the investment plans, and continue our role as the largest contributor to the government's budget. Staatsolie's Vision 2020 supports a sustainable energy future for Suriname, and will contribute significantly in making Suriname energy self-sufficient. To realize this ambition, Staatsolie has mapped out a solid implementation strategy, consisting of four phases: 'Fundament for Growth', 'Transition', 'Expansive Growth' and 'Rationalisation'.

'Fundament for Growth' covers the 2008 - 2012 period and consists of six corporate goals, which have to be realized through strategic plans. These corporate goals focus on increasing the oil reserves, maintaining crude oil and refinery production levels, diversifying the product portfolio through the expansion of the refinery, doubling the electricity generating capacity, and securing a robust organization. In order to execute the 2008 - 2012 investment program, a budget of US\$ 1 billion has been allocated. Seventy percent of the program will be financed through Staatsolie's cash flows, while a total amount of US\$ 290 million will be financed with external loans, of which US\$ 55 million was secured through locally issued bonds. Staatsolie and its subsidiary Paradise Oil Company are carrying out an intensive exploration program with the aim to increase oil reserves. The entire coastal plain of Suriname is subject to this search for oil. Exploration operations were carried out in Commewijne, Weg naar Zee, Uitkijk and Coesewijne. Preparations for exploration in Coronie and Nickerie are underway. Exploration is a risky venture, but we are convinced that our investments will pay off, considering the favorable prospects in, among oth-



ers, the Weg naar Zee area. Offshore exploration activities were continued by companies that have production sharing contracts with Staatsolie. Murphy Oil drilled two (2) exploration wells in block 37, however with no commercial finds. In 2011, Teikoku will drill one (1) exploration well offshore in block 31.

Staatsolie has intentionally chosen to maintain a production level of 16,000 barrels per day in this planning period. However, an extensive drilling program has to be carried out to compensate for the natural production decline of older wells. In 2010, Staatsolie commenced commercial production activities in its third oil field, the Tambaredjo North West field.

Staatsolie is executing its Refinery Expansion Project with the purpose of increasing the processing capacity from 7,000 to 15,000 barrels per day, and to produce products with a higher added value for the local market, including Euro spec diesel and gasoline. Staatsolie will cover the entire local demand for diesel and gasoline, once the project is completed and the new refinery is in production. The detailed design for the refinery expansion project is carried out in Italy by Saipem S.p.A, in close cooperation with a Staatsolie project team. Construction will commence in the first quarter of 2012 and will be carried out by Saipem, supported by international and local contractors. The new refinery will be in production in the first half of 2014.

The Staatsolie Power Company Suriname (SPCS), which produces thermal energy, has realized its objective for 2010 by doubling its generating capacity to 28 MW. The government is committed to regulate and establish realistic tariffs in order to stimulate investments in this industry.

One of the pillars in the implementation phase 'Foundation for Growth' is securing a robust organization. Staatsolie's past success was achieved through the dedication and skills of its employees. Realization of the Vision 2020, which includes new and expanded activities, will require continuous efforts in learning, commitment and flexibility. The Human Resources Management Division has started the implementation of the new HRM Strategy which is in line with Vision 2020.

One condition to being successful in realizing our ambition is the adaptability of the organization. Our strategy of growth requires continual improvement and innovation, next to continual learning as an important focus for Staatsolie. Success comes from cooperation and power of execution. Strategic partnerships are vitally important, on the one hand, for attracting the required knowledge and 'best practices', and on the other hand achieving a position comparable to that of international 'state of the art' energy companies.

In 2010, Staatsolie made the first steps towards the development of renewables. A pilot project for the production of bio fuel, ethanol from sugarcane, commenced with the cultivation of a first batch of sugar cane varieties at Wageningen in the District of Nickerie. The pilot project is on schedule and will be

Iwan Kortram retired as Finance Director as of December 31, 2010.

The involvement of Iwan Kortram with Staatsolie covers a period of almost 30 years and dates from 1980 when he joined the 'Oil Commission', the predecessor of Staatsolie. The work of the 'Oil Commission' resulted in the preparation for the establishment of Staatsolie. In 1984 Iwan Kortram was appointed Member of the Supervisory Board of Staatsolie. As Board member he played an important role in the review and reorganization of Staatsolie, which at a later stage resulted in the establishment of corporate governance, business & control systems and a multiple Board of Executive Directors. He played a leading role in the negotiations with ABN AMRO Netherlands resulting in a loan of approx.

US\$ 45 million for the financing of the Refinery phase I. It was during that time that he was approached for the position of Finance Director at Staatsolie. He accepted and held this position from December 15, 1994 until his retirement on December 31, 2010.

Iwan Kortram was the first statutory Finance Director of Staatsolie. Under his responsibility the awareness for corporate governance was company wide established and further deepened. It was his mission to align policies, strategies and operations, and to provide up to date management information. To this end he endeavored for Staatsolie to be the first company

completed in 2012. Then it will be decided whether or not to start commercial-scale production of ethanol.

A contract was signed with CNEC-Worley Parsons to update their 2001 Solution Study for the Tapa-Jai hydro-energy project. This is a very important project for Suriname to guarantee electricity at an affordable price in the future. Paramaribo's current energy demand is approximately 160-180 MW. The forecasts are that this demand will increase to 260 MW in 2015 and further rise to 380 MW in 2020.

With the retirement of Mr. I. Kortram as of January 1, 2011, Mr. I. Poerschke was appointed Finance Director as of April 1, 2011. Furthermore, the representative of the shareholder replaced part of the Supervisory Board by new members and added three new members.

We welcome the new Finance Director, as well as the new members on the Supervisory Board, Mrs. G. Asadang, Mr. N. Bissumbhar, Mr. A. Hilversum, Mr. E. Poetisi and Mr. R. Graanoogst.

On behalf of the Staatsolie family, I would like to express our gratitude to, first of all, Mr. I. Kortram, who held the position of Finance Director from 1994 to 2010. Last year, his expertise was once again tangibly present securing the US\$ 290 million external financing for the 2008 - 2012 Investment Program as Chairman of Staatsolie's financing committee. We are convinced that he will continue to use his knowledge and skills for the development of Suriname in the years ahead. We would also like to take this opportunity to express our gratitude to our clients, suppliers, service providers, financial institutions and other external relations, who have contributed to the development and the continued growth of Staatsolie. We extend our appreciation to the government and the members of the Supervisory Board, our employees and contractors, for their contribution and confidence in Staatsolie's future. We extend a special word of thanks to the departing members of the of Supervisory Board, Mr. R. Pahladsingh, Mr. R. Adhin and Mr. H. Kensmil, who supported Staatsolie for many years. We would like to extend our appreciation to the Surinamese community for expressing its confidence by participating in the Staatsolie bond loan. Together we will realize Staatsolie's plans for the future and contribute to the development of our country.

Confidence in Our Own Abilities!

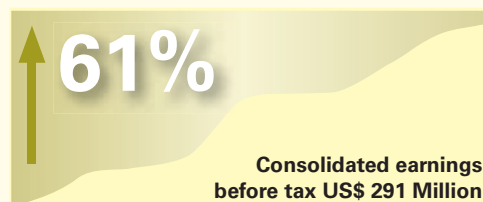
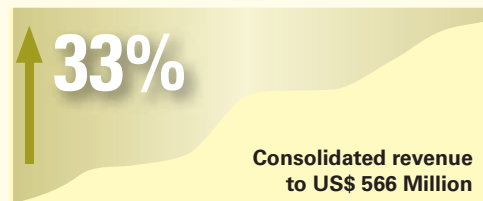
Paramaribo, May 2011

M.C.H. Waaldijk

Managing Director

in the year, in Suriname, to publish its annual report. One of his major achievements, amongst others, in his capacity of Chairman of the Finance Committee, was the signing, notable without Government guarantee, of the largest local bond issue and international loan of US\$ 275 M, for the financing of Staatsolie's Investment Program 2008 - 2012. His intellectual capacities, strategic thinking and analytical skills were the basis for the successful completion of various projects such as corporate and functional strategic plans. His problem solving and structured approach in conflict handling contributed, amongst others, in policies for remuneration and human resource development, making Staatsolie the employer of choice. Also his hilarious unexpected cheers will be remembered as an encouragement during celebrations and a relieve of tension during lengthy meetings, creating room for further discussions. The commitment and contribution of Iwan Kortram to Staatsolie have strengthened the foundation for further growth and development of our company.

3 Operational Performance 2010 and Work program 2011



Financial Performance

In 2010, gross revenues amounted to US\$ 566 million, which is 33% higher than 2009.

The 2010 average product net sales price increased to US\$ 71.82 per barrel, compared to the average net sales price of US\$ 57.66 per barrel in 2009; an increase of 25%. The return on equity increased from 28% in 2009 to 38%. The profit before tax amounted to US\$ 291 million, compared to US\$ 181 million in 2009; an increase of 61%.

Contribution to the government budget for the fiscal year 2010 amounted to US\$ 195 million; an increase of 56% compared to 2009.

In 2010, total investment expenditures on cash basis amounted to US\$ 110 million compared to US\$ 135 million in 2009. An amount of US\$ 43 million was spent on production sustaining & expansion and exploration activities and another US\$ 67 million for the various upstream and downstream projects, including the Refinery Expansion Project. The investment program was mainly financed from cash flow.

Upstream

Exploration

Staatsolie continued its efforts in exploring the coastal area. The focus was to explore for new finds in the Commewijne, Weg naar Zee and Coesewijne areas, and to test previous finds. Efforts were also made to prepare for upgrading the leads in the Nickerie area, identified on 2D seismic.

Several studies were initiated and completed, such as the Petroleum Systems study, Aeromagnetic study and a study on the Onshore Cretaceous play.

The Petroleum Systems study carried out by Fugro Robertson integrated all available geological and geophysical data of the Suriname Guyana basin and resulted in the first ever fully integrated Petroleum Systems study carried out for Staatsolie. The results delivered migration pathways but also modelled yet unproven source rocks and their potential sourcing areas. This study will allow an even more structural approach towards exploring both the on and near shore acreage.

A total of 17 wells have been drilled for exploration and appraisal. In the Commewijne block, three (3)

exploration and five (5) appraisal wells were drilled. The five (5) appraisal wells were drilled to delineate the COM13 find. No oil was encountered in the exploration wells drilled in the western part of this block.

In the Weg naar Zee block, two (2) exploration and three (3) appraisal wells were drilled. Of the three (3) appraisal wells, two (2) had an oil column and one (1) was dry. One of these wells (WNZ26) has been completed for testing purposes. The well WNZ 09.1, which had been on test since December 2009, was extensively tested and the performance was above expectation. This well has been producing oil for more than a year now. A comprehensive appraisal program for this accumulation is being prepared for execution in 2011 to be able to declare a STOIP (Stock Tank Oil Initially In Place) figure by the end of 2011.

In the Coesewijne area a five (5) wells appraisal program was planned to identify the southern border of the Borneo area. The program was ceased after drilling three (3) wells, as the extension of the Borneo Field turned out to be very limited. Exploration will be carried out further to the west as this area has not been explored yet. In addition an exploration well was drilled in the north eastern part of the area. Oil was only present in the Cretaceous. The exploration program in the Nickerie area was delayed because of insufficient rig capacity. After studying target depths and area surveying, the current strategy is to execute the wells in Nickerie with three (3) rigs. Drilling is planned to commence in the first quarter of 2011.

Paradise Oil Company N.V.

Various exploration programs were conducted in Uitkijk, Coronie and near shore project Block 4. The exploration costs in Uitkijk and Coronie are shared between Paradise Oil Company (POC) and the joint venture partner, Tullow Oil. The preliminary volume

calculations and economic evaluations revealed that the Uitkijk area has enough prospects to continue with exploration and appraisal activities. Preparations are on going for production tests in this area.

A study of these production tests is in progress, while an extension of the existing Environmental Impact Assessment has been evaluated for its applicability to these tests. The initial Environmental Impact Assessment for the Coronie Block was updated with an extended area of interest; a stakeholders meeting was held, while the process of obtaining an environmental permit for Coronie continued. All necessary permits were in place by the end of 2009. Exploration activities were also conducted in this block, but these were related to civil works. A ground survey was done of the total length of almost 100 km. Thirty km of swamp vegetation was removed by two contractors, and several canals, dams and roads were rehabilitated.

It was decided that POC would continue with the preparation of the exploration activities in Block 4 on behalf of Staatsolie. A 2D and 3D seismic program was presented by POC and approved by the Board of Directors. An Environmental Impact Assessment survey was conducted on the impact of the exploration activities to be executed. The results have been analyzed, and a start was made to identify the different impacts of the seismic activities.

Institutional Activities

Staatsolie in its role as agent for the State, with respect to the petroleum industry, continued its activities for assessing the hydrocarbon potential of open blocks. After negotiations with Tullow Oil, a Production Sharing Contract (PSC) was concluded on Block 47, Offshore Suriname. The minimum exploration program of this PSC comprises acquisition of 2,000 km² of 3D seismic data and drilling of two (2) exploration wells.



Day trip for orphanages to Villa Zapakara-Crafting activities

To prepare for a new bidding round, an attempt was made to acquire 2D seismic data in the Demerara High and the Corridor area, through Petroleum Geo-Services ASA (PGS) subsidiary, 'Multi Klient Invest AS', as a multi client survey.

A contract was signed between Staatsolie and PGS' subsidiary, but the program could not be executed since no company could be found to commit to leasing this data prior to the data acquisition. Staatsolie is making preparations to acquire the data in 2011.

For the offshore Blocks 37 and 31, efforts were concentrated in preparations for drilling three (3) wells, two (2) in Block 37 and one (1) in Block 31. Approval for Environmental Impact Assessments (EIAs) for both blocks was granted by NIMOS. The first well, Caracara 1 in Block 37, was spudded on November 8,

2010 and was drilled, logged, plugged and abandoned by December 23, 2010. Due to rough sea conditions the rig was still waiting to be rigged down for transportation at the end of the reporting period.

Activities in offshore Block 30 and on-shore Uitkijk Block were limited to fulfillment by Repsol and partners of their minimum obligations of the exploration Phase 3, while in Uitkijk Block the partners were preparing to enter into Phase 2 activities.

In Coronie the trail cutting activities were still in progress and we anticipate commencing drilling operations by the second quarter of 2011.

A special folder has been created on the website of Staatsolie, to promote investment opportunities in Offshore Suriname. The feedback from the industry

has been very positive so far. Technical support was given to the process of the extension of the continental shelf, based on article 76 of the United Nations Conference on Law of the Sea, UNCLOS. In 2011, the monitoring of exploration activities for the blocks 47, 37, 31, 30, Uitmijk and Coronie will be continued. Promotion of open offshore blocks through Staatsolie's website will be ongoing and support will be given to the 2D seismic acquisition program.

Crude Production

Staatsolie produced 5.8 million barrels of Saramacca Crude, a decrease of 1.02% compared to 2009. A total of 110 new development wells were drilled, of which 93 were completed into production wells. At year end 2010, a total of 1,357 wells were in production.

In the Tambaredjo Field 35 new development wells were started up. This includes five (5) directional wells drilled as a pilot test. This field has 1,100 wells in operation, producing 13,000 barrels per day.

The development of the Tambaredjo North West (TNW) Field started up during 2010. By the end of the year a total of 48 wells were in production producing approximately 500 barrels oil per day; the fluid being delivered via a pipeline to the TA58 treatment plant. New fluid handling facilities and office facilities were constructed. With this new field, Staatsolie has three (3) oil fields in production.

The production drilling program in the Calcutta Field was finalized during the first half of 2010. This field has 209 producing wells by the end of 2010 with a production of 2,500 barrels oil per day. An evaluation of this field is scheduled for 2011 in order to decide on future development activities.

Due to increasing water content several investment projects had to be executed to upgrade the water handling capacity of the treatment plants. Gas instead of crude oil was primarily used for heating the emulsion at the TA58 treatment plant, thereby saving 27,000 barrels of crude oil for the year.

Reservoir Studies

To delineate new areas for future production development, reduce the uncertainties and increase the reservoir predictability, a total of 27 Strattest and Appraisal wells were drilled; 17 wells in TNW Field and ten (10) wells in the Tambaredjo Field. Several subsurface studies and data acquisition programs were carried out to improve the production performance of the oil fields and to reduce the uncertainties in some critical parameters. Dynamic Modeling was introduced as one of the tools to optimize reservoir performance, and is now fully applied in the new TNW Field.

Progress has been made with the Polymer Flooding pilot project. Improvement in production behavior became more evident after the second injector well was added in May 2010. The production decline, normally observed in the depleted pilot area, appears to have been arrested with the injection of polymer. Minor increases in oil production have been observed in the surrounding wells. The observed reservoir response to polymer injection has led to important insights into the oil production mechanisms and has provided valuable data for possible application of this recovery method on a larger scale. A start has been made to develop a road map for the evaluation and application of Enhanced Oil Recovery technologies in the oil fields in order to safely and efficiently recover much more of the heavy oil from these fields.

The remaining proven reserves (P90) at year end 2010 amounted to 72.0 million barrels: 51.2 million barrels in the Tambaredjo Field; 4.2 million barrels in the Cal-

cutta Field; and 16.6 million barrels in the TNW Field. In addition the total probable reserves (P50-P90) were estimated at 8.2 million barrels.

Development Drilling

In 2010, 110 wells were drilled of which 48 were based on the wetland operations concept in the TNW Field, 16 in the Calcutta Field, and 46 on land in the Tambaredjo Field.

Staatsolie completed its first ever Directional Drilling Pilot Project by successfully drilling and completing five (5) Deviated wells in the Tambaredjo Field.

The successes achieved in this pilot have opened several opportunities for future field development, namely:

- Increase in Producible Reserves by accessing reserves previously inaccessible in restricted farmlands and accessing reserves in prohibited eco-sensitive areas (coastline areas);
- Reduction in infrastructural costs, among others: less locations to prepare, less flow lines required, less roadways and waterways to construct, and less land & swamp transport needed,
- Increase in operational efficiency in surveillance and maintenance: achieve the same number of wells, with fewer locations to visit.

Follow up of the Directional Drilling Project is scheduled in 2011 to further optimize the drilling process and validate the application of non vertical drilling in Staatsolie's shallow and unconsolidated reservoirs.

Engineering & Maintenance Services

A restructuring of the Engineering and Maintenance division took place where the Reliability Engineering & Maintenance department was formed. In this department the Reliability Engineering concept was introduced in addition to the existing maintenance engineering activities. The consultant company

Life Cycle Engineering (LCE) was hired to educate Staatsolie staff in the principles of Reliability Excellence, after which Staatsolie requested a preliminary assessment of its operations as compared to 'best in class'. Reliability Excellence is a structured approach aimed at continuous improvement of business processes related to equipment and material.

At year's end the results of the assessment were still being validated and evaluated, and in 2011 the decision will be taken on the implementation of the Reliability Excellence Program.

Downstream

Refinery

The 2010 refinery throughput was 2.72 million barrels, 0.7% lower compared to 2009. The refinery availability decreased to a level of 95.3% due to a fire incident in August, which led to a 10 day shutdown and an extended scheduled decoking shutdown in October.

Contrary to the previous years, where Tout Lui Faut Operations had an excellent Health Safety Environment (HSE) record, two lost workday cases were recorded. Awareness sessions were continuously conducted on proper risk management and reinforcement of safe working procedures to eliminate injuries.

The preparations for a mechanical integrity inspection program were started in 2010. Special equipment was purchased and personnel were trained in Radiography and Vibration monitoring. Organizational changes were made to the Reliability & Maintenance Engineering department to facilitate these programs. An organizational change was also implemented within the Maintenance department whereby the Maintenance Control Center was integrated in the

Maintenance Department structure.

The training programs Vapro and Total Productive Maintenance (TPM) continued. The Vapro training, aimed at upgrading the skills and knowledge of the Refining Operations personnel, started with on site training. The TPM program focused on Breakdown Analysis, 5S methodology and autonomous maintenance principles which will be evaluated in the first quarter of 2011.

The construction of two new crude tanks each 45,000 barrels, including new pumps and sump, and a MCC building continued in 2010. The execution was delayed to May 2011.

A production related incident in 2010, was the fire in unit 100 on August 19th. This was caused by hot hydrocarbon dripping out of a corroded level instrument piping. The fire was brought under control within a short time, and as a consequence the facility sustained minor damage.

A Dissolved Air Flotation (DAF) system, which is a waste water treatment system that reduces the hydrocarbon levels in effluent water, was commissioned and completed in 2010.

In the first half of 2010, the Refinery Expansion Project (REP) underwent the planned transition from the Front End Loading Phase to the Execution Phase. This transition started in the fourth quarter of 2009 and continued until the end of the second quarter of 2010. The Execution Phase was awarded on June 4, 2010 to Saipem, a company incorporated in Italy.

The Execution Phase started during the second half of 2010 and gained significant momentum. Saipem was awarded the Limited Notice To Proceed (LNTP)



Sports day for special education schools at Flamboyant park

on July 6 and a subsequent Full Notice To Proceed (FNTP) on September 6, 2010. By the end of 2010 the detailed engineering reached its final stage moving the project into a ramp up of detailed design development and financial commitments.

Marketing

The total sales amounted to 7.3 million barrels, an increase of 6% compared to 2009. The total sales volume included 5.7 million barrels of our own production, an increase of 10% compared to 2009. This increase was achieved due to an increased off take by the local bauxite industry and low water levels at Afobaka which led to both the local electricity company, EBS, and Staatsolie Power Plant, to increase their electric power production from January to July 2010.

Fuel oil and gas oil sales of own products increased by 10% and 19% respectively, while bitumen sales decreased by 10%, due to stagnation in local road paving projects. Export and bunkering of Staatsolie products amounted to 55%, while local sales accounted for 45% of total sales.

The average reported postings for USGC No 6, 3% sulfur fuel oil increased to US\$ 69.75 per barrel in 2010 compared to US\$ 55.86 per barrel in 2009, a 25% increase. Compared to 2009 the total gross revenues increased by 33% in 2010. Execution of an improvement plan with the emphasis on reducing the outstanding receivables led to a further drop of the average Days Sales Outstanding to 29 days in 2010, compared to the target level of 35 days.

Vessel Time Charter contracts were extended to secure flexibility in logistics. There were 76 export shipments in 2010, transporting 40% of total sales. Products were exported to Guyana, Barbados, Trinidad, Curacao and Jamaica with the time chartered vessels, the Tradewind Legend and Georgina PG.

The utilization rate for Tradewind Legend was 72% and Georgina PG 81%. With these utilizations rates, transport revenues also contributed to the higher revenues.

The Marketing division experienced difficulties in sourcing products from one of its traditional trading suppliers. Much effort was put into developing other sources, which resulted in the purchase of gas oil for trading from two other suppliers.

The Marketing Strategic Plan, approved in December 2009, was executed in 2010.

Staatsolie Power Company Suriname

Two (2) additional units of seven (7) MW each were installed. By the end of June 2010 these units had been tested and power delivery to the grid started on July 8. Due to high water inflow more electrical energy became available from the hydro plant at Afobaka. Therefore, in July 2010 the generation by Staatsolie Power Plant was reduced to a minimum.

By the end of August 2010 the Staatsolie Power Company Suriname operation was transformed into a peak demand generation, running only during the workweek, and at 7 – 21 MW on the request of EBS. This was mainly caused by overhaul activities at a hydro unit at Afobaka that lasted up to January 2011. A total of 80,000 MWh had been generated in 2010, an increase of 105% compared to 2009. Gross revenues amounted to approximately US\$ 7 million, including steam delivery to the Refinery.

Corporate Services

Health, Safety, Environment and Quality

The safety and health of employees and contractors as well as the sustainable management of our environment, received special attention in 2010. Major ef-

forts were made to increase awareness among staff and contractors. Various activities were organized including risk analysis, safety training and inspections, safety talks and our well known HSE Week.

Despite many efforts, Staatsolie did not succeed in improving its safety records. In 2010 a total of 15 Lost Work Day Cases among staff and contractors was recorded. This resulted in an increase of Staatsolie's lost time injury frequency rate to 1.17 and an increase of our severity rate, up to a level of 57.5 in 2010.

The total number of incidents was 235, which is 8% higher than the number of incidents that occurred over the same period in 2009. The total number of oil spills was 107. The majority of the spills (79%) was less than one (1) barrel, while 1% was more than ten (10) barrels. The total number of vehicle accidents was 68 compared to 72 in 2009.

In the table below some incident statistics are included for 2010 and 2009.

In the fourth quarter of 2009 Staatsolie committed

gap. An implementation road map to close the gaps was developed in the fourth quarter of 2010, and will be executed the coming two years throughout the organization.

In 2010, four (4) exploration projects operated with a Certificate of Environmental Compliance (CEC) issued by NIMOS after Environmental and Social Impact Assessment (ESIA) / Environmental Management Plans (EMP) report review and approval. At the end of 2010 five of the exploration projects were still in the ESIA / EMP study phase.

Tambaredjo North West received a CEC from NIMOS, while the two other upstream production expansion projects, Tambaredjo North and Farmersland West, were still in the ESIA / EMP study phase.

In 2010 the environmental department executed 14 random field inspections to monitor project compliance against the EMP. These inspections resulted in 65 improvement action items of which 44% were closed. One (1) oil spill in the Suriname River was

	First aid injuries	Lost time injuries		LTIF Rate*	Severity Rate*	Vehicle accidents	Oil spills > 1 barrel
		Contractors	Staatsolie				
2010	14	7	8	1.17	57.5	68	23
2009	22	4	3	0.40	16.9	72	26

* Staatsolie employees only
Severity Rate = Lost Days per 200.000 hrs worked
LTIF Rate = Lost Time Injury Frequency Rate per 200.000 hrs worked

itself to the implementation of an Integrated Health, Safety and Environmental Management System adapted to the Oil & Gas Industry; the SIGAS&SI system. The implementation of this system can be viewed as a stepping stone towards ISO14001 and OSHAS 18001 certification of our HSE management system. In the third quarter of 2010 a gap analysis was conducted to determine the implementation

reported to NIMOS and was investigated. By means of our oil spill contingency plan the spill was rapidly contained and cleaned. Improvement measures were proposed and implemented.

Staatsolie supported the Suriname Coastal Protected Area Management Project of the Ministry of Physical Planning, Land and Forestry Management (RGB), which was submitted to the United Nations Global

Environment Facility for funding. Support was given in the form of a commitment to invest in nature conservation in the areas where we operate.

Human Resources Management

During the first half of 2010, the Refining & Marketing Directorate started using the new Performance Management system. At the same time, preparations were made for implementation of the system within the remaining directorates as of 2011. With the new system, production related and competency development objectives for individual employees are to be derived annually from the company's corporate objectives. Assessment and coaching will be based on these individual objectives, as well as the extent to which the employee demonstrates the required behaviours. In the last quarter of 2010, a cluster of three (3) projects was started in the areas of Organizational Structuring, Strategic Workforce Planning, and Career Development and Management Development. These will continue on through 2011, as part of the HRM Strategy & HRM Development Plan 2009 - 2012, specifically aligned with Vision 2020 and the current Corporate Strategic Plan.

Finance and Control

A comprehensive set of Contractor Management Guidelines was developed to provide reasonable assurance that contractors perform their work in compliance with applicable health, safety, and environmental performance standards and requirements. The implementation of these guidelines is scheduled for the first half of 2011.

To improve control of the purchasing process of capital expenditures, the business application was modified and made ready for testing and implementation. After months of negotiating, the financing of the Investment Program 2008 - 2012 of US\$ 1 billion was secured with a local bond issue of US\$ 55 million and

a loan of US\$ 235 million with a syndicate of international and regional banks consisting of ING Bank N.V., Credit Suisse AG, Citibank N.A., RBTT Bank Trinidad and Suriname, and First Caribbean International Bank N.V.. The first interest payment to the bondholders was made in November 2010.

The process to strengthen the Corporate Governance structure continued with the development of an enterprise risk management system. In that respect a pilot project was conducted with AON Global Risk Consulting in the second half of 2010. The focus in this pilot was on testing the risk methodology resulting in a risk assessment of the Sugarcane Cultivation project Wageningen.

In 2010, the ICT division conducted projects in different areas. In the upstream, support was given for the implementation of Wellview for drilling monitoring and the National Data Center system. In the downstream, four (4) project control applications have been implemented on behalf of the Refinery Expansion Project. The Novell Netware File and Print System was migrated in the last quarter of 2010 to Microsoft Server 2008 to improve the local area network. Consecutively the migration of the Domino Lotus Notes emailing and messaging system to Microsoft Exchange Outlook followed.

Business Development

Strategic Review

In 2010, a formal review of the strategic plan 2008-2012 was started, with a strong focus on risk and probabilistic analysis. Based on interviews and sessions with Staatsolie's management, a set of strategic themes in line with Staatsolie's vision was selected. For each of these themes the risk weighted expected values will be calculated to facilitate the

selection of the most optimal theme. The results of this review will be presented early 2011.

Wageningen Project

The first phase of the Wageningen project consists of:

- The Agricultural Solutions Study, of which the pilot project is a major component,
- The Industrial Solutions Study, and
- The Environmental and Social Impact Assessment (ESIA).

The goal of the first phase of this project is to prove the feasibility of ethanol production from sugarcane.

With regard to the Agricultural Solutions Study, the following preparations were made for the pilot sugarcane cultivation project: selection of 14 sugarcane varieties to be tested; in vitro multiplication of these varieties; soil measurements in the field; selection of the pilot area; building of field offices; and land preparations.

In December 2010, 6,000 plantlets were transferred to the pilot area; the remaining 70,000 plantlets will be planted, starting in February 2011. In addition, Booker Tate was contracted to study the best solution to develop and design the total acreage of 12,600 hectares, taking into consideration the results of the pilot project. A terms of references was compiled and bids were received from three (3) contractors for the Industrial Solutions Study. A choice will be made out of a short list of two (2) contractors in the first quarter of 2011.

Staatsolie has received a no objection statement from NIMOS for the pilot project. This was based on the presented Environmental Management Plan. In addition, bids for the ESIA for development of the total acreage were received in November 2010. The pilot program is scheduled until the first half of 2012, at which time, based on a comprehensive evaluation of the various study results, the path forward for this

project will be decided.

Tapa Jai Hydro Power Project

The goal of this project is to add 60 MW firm hydro power to the Suriname electricity grid by diverting water from the Tapanahoni river into the Brokopondo Lake. In the past decades several studies have been conducted on this project. In 2010 Staatsolie decided to develop this project after it came out best in a ranking study on electricity generation options in Suriname. As a first step Staatsolie contracted CNEC–Worley Parsons to update a previously conducted solution study. The solution study identifies the optimal project configuration from a technical, economic and socio environmental point of view and will be completed early 2011. In this project much emphasis is laid on the Environmental and Social aspects. Staatsolie has therefore set out to develop this project with adherence to contemporary environmental and social standards. The preparations for the execution of the environmental and social studies for the project were completed in 2010 and the execution of these studies will start in the first half of 2011.

Corporate Image & Social Responsibility

The 2010 work program of the Public Relations Department was focused on sustaining the positive corporate image, and to strengthen sustainable relations with stakeholders. The activities in 2010 were part of the regular work program as well as extra events in light of the 30th anniversary of Staatsolie and other milestones.

On December 13, 2010 Staatsolie celebrated its 30th anniversary. In commemoration of this milestone several social projects and activities were deployed. In addition in 2010, Staatsolie co-sponsored the high

school talent competition Got Talent. The objective of the sponsors, Staatsolie and Telesur, was to contribute to the development of talents and teamwork.

In 2010 more than 3,000 persons, mainly students, visited Staatsolie on field trips.

Community Support

In October the Board of Executive Directors assigned to the Public Relations Department the development of a Community Relations Policy and Department for Staatsolie. After extensive research on this issue it was decided to implement the Community Relations Management System of Arpel within the company. The purpose of developing Community Relations is to integrate into the communities where Staatsolie works, build long term relationships and support initiatives from these communities.

In 2010 Staatsolie supported many projects in the areas of education, culture and sports, health and projects for the benefit of the underprivileged. A total of US\$ 1 million was committed.

In commemoration of the 30th anniversary, Staatsolie will renovate and upgrade the facilities of the National Blood Bank of the Suriname Red Cross. This project will be executed in 2011 - 2012.

In line with our Corporate Image & Social Responsibility Program, Staatsolie supported several sustainable development projects, in 2010. The 'Staatsolie Foundation for Community Development', which started its activities in March 2009, granted a total amount of US\$ 0.6 million to projects related to education, health and environment.

In 2010 an amount of US\$ 0.6 million was granted by the 'Committee Rehabilitation and Expansion of

Sports Facilities', with an initial fund of US\$ 6.0 million of which US\$ 3.7 million has been realized since inception.

International Activities

Staatsolie participated in several international and regional conferences.

In January, Staatsolie participated in the South Trinidad Chamber of Industry and Commerce (STCIC) Energy Conference in Port of Spain, Trinidad, with the theme Energy and Entrepreneurship. During this 3-day conference, critical energy issues relevant to sustainable development of the Caribbean region were discussed. Furthermore important issues relating to: innovation, public and private sector partnerships, development of new technologies, alternative energy sources and sustainability of the industry were discussed. During this conference, Staatsolie presented an update of its activities in 2010 and beyond.

In March, Staatsolie attended the 16th Annual Latin Oil Week 2010 in Rio, Brazil. This 16th Annual Latin Upstream is a key event for the Latin American Continent, bringing representatives of major companies and institutions in Latin America and the world together. This 16th edition focused on the development in Upstream and Downstream gas and power in renewables and biofuels.

From 21 - 23 July 2010 the Association of Oil and Gas Companies in Latin America and the Caribbean (ARPEL) Assembly General Meeting was organized in Paramaribo. The conference theme was 'Regional Responses to global Challenges'. The more than 100 participants included representatives of the Surinamese government, executives and upper managers of the main oil and gas companies in the region.



Staatsolie Senior Citizen day at 'Le Jardin'

In October, the 40th Annual General Meeting Conference and Exhibition of the Caribbean Shipping Association (CSA) was held in Montego Bay, Jamaica. The conference was held under the theme, "Regional Integrated Maritime Strategy (RIMS): Dawn of a New Beginning", with the expectation to chart the way forward for shipping in the Caribbean and Latin America. Discussions were focused on the current maritime issues in the Caribbean and Latin America, and how to successfully implement the RIMS deliverables, that will lead to viable, profitable and sustainable cargo in the region.

Work Program 2011

Commercial

The focus in 2011 will be on:

- Continuation of the accelerated exploration program onshore;
- The exploration program in Block 4 near shore;
- Sustaining an average crude production of 16,000 barrels of oil per day;
- The Engineering, Procurement and Construction (EPC) phase of the refinery expansion program;
- Execution of the definition study for the Tapa Jai Hydro project;
- The execution of the solution study for the Wageningen Sugarcane to Ethanol project;
- Evaluation of the implementation of Wave 3 of the Reliability Excellence program;
- Organizational development;
- The expansion of SPCS' power plant capacity with 30 MW.

The total investment budget for 2011 amounts to

US\$ 371 million of which US\$ 44 million has been allocated to the Upstream Production Sustaining Program. An amount of US\$ 50 million has been allocated to Exploration activities and other upstream projects including capital goods of US\$ 14 million. US\$ 231 million has been allocated to the Downstream operations, including the Refinery Expansion project. For general projects, including capital goods, an amount of US\$ 32 million has been allocated.

The amount of US\$ 50 million for exploration activities includes an exploration drilling program of 44 wells in the Commewijne, Coesewijne, Weg naar Zee and Nickerie areas, as well as approximately 400 km onshore seismic acquisition.

The Production Sustaining Program primarily consists of the further development of the Tambaredjo North West Field. Taking into consideration the success ratio of 75%, the objective of the Development Drilling Program 2011 is to drill 96 wells. 72 wells will be completed as oil producers. In addition four (4) suspended wells will be taken into production, adding up to 76 new oil wells in 2011. An annual production of 5.91 million Stock Tank Barrels is foreseen. The annual average daily production is anticipated at around 16,180 barrels of oil per day with a year end production of 16,210 barrels of oil per day.

The objective is to realize an average throughput for the Refinery of 7,350 barrels per stream day, resulting in an annual production target of 2.68 million barrels.

The primary activity regarding the Refinery Expansion is the continuation of the EPC work, which has been budgeted for a total of US\$ 223 million.

Institutional

The institutional activities for 2011 are:

1. Acquisition, processing and interpretation of 5,000 km 2D seismic in offshore blocks 38 - 40;
2. Continue 'open door policy' regarding blocks 42 - 46 and 48 until the next bidding round;
3. Monitoring of PSC activities in offshore block 30, 31, 37, 47 and onshore blocks Uitkijk and Coronie.

Corporate Services

The objectives for Corporate Services include:

Human Resources Management

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

Finance Directorate

6. Review of the Finance Function of Staatsolie;
7. Implementation of a cost accounting system to better monitor cost efficiency and a budgeting and forecasting application tool;

8. Further execution of the Corporate Information Plan, including:
 - study full implementation of Oracle Business Financials Enterprise Resource Planning,
 - implementation of Customer Relations Management application,
 - implementation of HRM ERP application;
9. Formalize and implement Staatsolie's Corporate Governance Code and develop an integrated risk management system;
10. Implementation of a Treasury Management System, and further diversification of the investment portfolio;
11. Impact assessment for converting from US-GAAP to IFRS accounting.

HSEQ

12. Continue implementation of an Integrated HSE Management System, SIGAS&SI Program, with in the framework of ISO 14000 and OHSAS 18000.

Business Development

The new business development activities for 2011 are:

1. Analysis of the result of the Wageningen Sugar cane to Ethanol project, selection of the varieties and execution of the agricultural and industrial solution studies. Further execution of the Environmental and Social Impact Assessment which will result in a single case forward for the project;
2. Start of the execution of the definition study as well as an Environmental and Social Impact Assessment of the Tapa Jai Hydro project;
3. Execution of projects for other directorates and divisions, such as pipelines to retailers, data center for ICT at Flora, and expansion of the tank farm at TLF.



Sports day for special education schools at Flamboyant park

4 Independent Auditors' Report

Report on the financial statements

We have audited the accompanying consolidated financial statements of Staatsolie Maatschappij Suriname N.V., Paramaribo, presented on pages 26 to 54, which comprise the consolidated balance sheet as of December 31, 2010, the related consolidated profit and loss account and the consolidated cash flow statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standard generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Staatsolie Maatschappij Suriname N.V. as of December 31, 2010 and of its results and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Paramaribo, March 23, 2011
Tjong A Hung Accountants
Drs. R.K. Burgos RA
Partner

Financial Statements 2010

5 Consolidated Financial Statements

1. Consolidated Balance Sheet as of December 31, 2010 (after distribution of earnings)

x US\$ 1,000

A s s e t s	Notes	2010	2009
Current assets			
Cash and cash equivalents	5.2.1	298,242	206,450
Short-term investments	5.2.2	27,415	20,987
Accounts receivable	5.2.3	53,361	43,031
Inventories	5.2.4	25,647	19,407
Prepaid expenses and other current assets	5.2.5	7,531	7,000
		412,196	296,875
Investments			
Pension plan	5.2.6	43	50
		43	50
Property, plant and equipment	5.2.7		
Oil properties			
Evaluated properties		187,489	175,109
Pipelines		2,797	2,677
		190,286	177,786
Refinery		16,065	20,962
Power plant		28,563	16,307
Other fixed assets		65,024	56,662
		299,938	271,717
Projects in progress		101,889	60,464
		401,827	332,181
Minority interest Ventrin	5.2.8	49	26
Total assets		814,115	629,132

Paramaribo, May 23, 2011

The Board of Executive Directors

M.C. Waaldijk Managing Director

B.F. Nuboer Refining & Marketing Director

G.P. Sairras Production & Development Director

I.J. Poerschke Finance Director

2. Consolidated Income Statement 2010

x US\$ 1,000

	Notes	2010	2009
Revenues from			
Production & Refining		428,224	311,218
Trading activities		130,444	108,145
Electric energy		7,139	5,234
Gross revenues		565,807	424,597
Inventory variation		2,986	5,632
Other revenues		167	745
		568,960	430,974
Less: export-, transport- and sales costs		(21,325)	(17,862)
Net revenues	5.3.1	547,635	413,112
Exploration expenses including dry holes		(10,385)	(30,283)
Production expenses		(33,419)	(28,953)
Refinery expenses		(10,623)	(9,131)
Depreciation	5.3.2	(35,280)	(35,154)
Other operational costs	5.3.3	(123,636)	(83,013)
Operating income		334,292	226,578
General and administrative expenses	5.3.4	(26,844)	(20,101)
Refinery expansion		(6,135)	(30,763)
Impairment of equity investment		-	(148)
Financial expense and income	5.3.4	(10,094)	5,143
Earnings before tax		291,219	180,709
Income tax charge		(104,878)	(64,572)
Other taxes		(200)	(169)
Earnings after tax		186,141	115,968
Minority interest Ventrin		23	29
Net profit		186,164	115,997

Paramaribo, May 23, 2011

The Board of Executive Directors

M.C. Waaldijk Managing Director
 B.F. Nuboer Refining & Marketing Director
 G.P. Sairras Production & Development Director
 I.J. Poerschke Finance Director

The Supervisory Board

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

3. Consolidated Statement of Changes in Stockholders' Equity*In 2010 the consolidated stockholders' Equity consists of the following:*

x US\$ 1,000

	Common stock	General reserve	Appropriated reserve Committee Rehabilitation and Expansion of Sports facilities	Unrealized gains and losses short term investments	Net other compre- hensive income ²⁾	Total
Balance as of January 1	12,104	418,324	4,201	15,840	(11,253)	439,216
Equity movements:						
Transfer from earnings	-	89,733	-	-	-	89,733
Prepaid pension benefits	-	934	-	-	-	934
Appropriated reserve for environmental risk ¹⁾	-	500	-	-	-	500
Withdrawal	-	(500)	(707)	-	-	(1,207)
Allocation	-	-	-	6,428	(3,614)	2,814
Balance as of December 31	12,104	508,991	3,494	22,268	(14,867)	531,990

1) Annually, an amount of US\$ 500,000 is allocated for environmental risks. As of December 31, 2010, the appropriated reserve for environmental risk amounted to US\$ 5.5 million.

2) Net other comprehensive income related to the pension plans is specified as follows:

x US\$ 1,000

Balance as of January 1, 2010		(11,253)
Unrecognized transition cost	152	
Unrecognized prior service cost	182	
Unrecognized actuarial gains/losses	(5,981)	
		(5,647)
Deferred income tax		2,033
Balance as of December 31, 2010		(14,867)

The difference of US\$ 3.3 million between the stockholders' equity and the consolidated stockholders' equity regards the following:

- The negative net capital value of US\$ 700,040 of POC, being the cumulative negative result as of December 31, 2010. Based on this, the equity investment is valued at nil. The net loss of POC over 2010 amounts to US\$ 291,680.
- The negative net capital value of the 98.4% interest in Ventrin of US\$ 3,031,098, being the cumulative negative result as of December 31, 2010. Based on this, the equity investment is valued at nil. The net loss of Ventrin over 2010 amounts to US\$ 1,437,246.
- The addition of US\$ 362,926 regarding sales in 2010 of Staatsolie's beginning-stock 2010 at Ventrin.
- Adjustment of the taxes of US\$ 130,653 as a result of the addition regarding the beginning-stock 2010 at Ventrin.
- Result minority interest Ventrin of US\$ 22,996.
- The elimination of POC's profit from overhead charges to Staatolie to the amount of US\$ 50,571.

4. Consolidated Cash Flow Statement 2010

x US\$ 1,000

	2010	2009
Cash flow from operational activities		
Net earnings	186,164	115,997
Depreciation	35,280	35,154
Distribution of earnings, excl. addition to general reserve	(96,431)	(61,211)
In(de)crease in income and other taxes	8,576	(16,075)
In(de)crease in accounts payable	3,975	(4,909)
(De)increase in bank overdraft	(128)	1,713
Decrease in accrued liabilities	(4,373)	(102,281)
Increase in receivables	(10,861)	(24)
(In)decrease in inventories	(6,240)	8
	115,962	(31,628)
Cash flow from investment activities		
Investment in property, plant and equipment	(106,705)	(75,695)
Disinvestment in property, plant and equipment	1,779	6
Increase in short-term investments	(6,428)	(6,046)
	(111,354)	(81,735)
Cash flow from financial activities		
In(de)crease in 7% bond	55,144	-
In(de)crease in term loan	5,128	-
Increase in provision for pension plan	4,058	1,885
Increase in provision for dismantlement and abandonment	8,131	6,268
Increase in provision for pensions and other post retirement benefits	2,057	2,854
Increase in deferred income taxes	9,648	4,048
Increase in general reserve	1,434	2,054
Decrease in appropriated reserve 'Committee Rehabilitation and Expansion of Sports Facilities'	(707)	(1,047)
Decrease in appropriated reserve 'Staatsolie Foundation for Community Development'	(500)	(500)
Decrease in net other comprehensive income	(3,614)	(3,023)
Increase in unrealized gains and losses short-term investments	6,428	4,244
Decrease in minority interest Ventrin	(23)	(28)
	87,184	16,755
Net cash flow	91,792	(96,608)
Cash and cash equivalents at end of previous year	206,450	303,058
Cash and cash equivalents at end of current year	298,242	206,450

5. Notes to the Consolidated Financial Statements

5.1 Accounting Principles Balance Sheet and Income Statement

General

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

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

Principles of consolidation

The consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (US-GAAP) for the oil and gas industries in particular. 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 inter-company balances, sales and purchases. Minority interests are presented separately in the consolidated financial statements.

Currency translation

The US-dollar is the reporting currency. Foreign currency transactions as well as Surinamese dollar (SRD) transactions are translated at applicable buying rates derived from exchange rates published by the 'Centrale Bank van Suriname'. At the end of the 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 in the year under review was US\$ 1 = SRD 2.71, US\$ 1 = Euro 0.76 and US\$ 1 = TT 6.38.

Exploration and production development

The company 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.

Specific principles

Balance sheet

Short-term investments

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

Accounts receivable

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

Inventories

Crude oil and refined products' inventories at year-end are valued at the lower of either cost or market value. Cost comprises all direct purchase costs, attributable operating expenses - including depreciation - and allocated overhead.

Drilling supplies and other materials are recorded at the weighted average cost price or lower market value. The cost price consists of the purchase price plus a surcharge for import and transportation costs. If necessary, a provision for obsolete inventory is taken into consideration and deducted from the inventory. Ordered goods have been recorded at purchase value and only the goods that are in transit at balance sheet date are recorded on the balance sheet.

Investments**Equity investments**

Equity investments are accounted for using the equity method.

Pension plan

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

Back service costs

In addition, investments in pension plan also comprise the prior service costs related to the insured pension

plan recorded at contract value and to be amortized over the participants' remaining service period.

Property, plant and equipment**Oil properties**

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

Refinery, power plant and other fixed assets

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

Current liabilities

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

Long term debt

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

Provisions**Deferred income taxes**

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

Provision for dismantlement and abandonment

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

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

Annually, a portion of the expected costs of dismantlement and abandonment is expensed. The allocation of the cost for related production facilities, for example production fields, is based on the UPM. 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.

Income Statement

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.

5.2 Notes to the Consolidated Balance Sheet as of December 31, 2010

x US\$ 1,000

unless indicated otherwise

Current assets**5.2.1 Cash and cash equivalents**

	2010	2009
Cash at foreign banks	277,775	192,836
Cash at local banks	19,873	12,935
Total bank balance	297,648	205,771
Petty cash	594	679
	<u>298,242</u>	<u>206,450</u>

Cash and Cash equivalents include restricted cash of US\$ 60 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. Deposits to the amount of US\$ 162.8 million are included in Cash and Cash equivalents.

5.2.2 Short-term investments

	2010	2009
Powisie Gold certificates	23,443	17,632
Shares	3,972	3,355
	<u>27,415</u>	<u>20,987</u>

The increase in 'short term investments' is related to a revaluation at market value.

5.2.3 Accounts receivable

	2010	2009
Accounts receivables in foreign currency (net)	47,315	40,359
Accounts receivables in Surinamese dollars (net)	6,046	2,672
	<u>53,361</u>	<u>43,031</u>

The accounts receivables include a provision for doubtful debts of US\$ 15,950,467, based on seven categories in terms of a percentage for certain age buckets.

5.2.4 Inventories

	2010	2009
Petroleum products	11,309	9,355
Materials and supplies (net)	6,608	5,273
Ordered goods	7,730	4,779
	<u>25,647</u>	<u>19,407</u>

Materials and supplies include a provision for obsolete items of US\$ 9,814.

x US\$ 1,000

unless indicated otherwise

5.2.5 Prepaid expenses and other current assets

	2010	2009
Loan and interest N.V. EBS regarding 'Substation TLF'	2,012	1,900
Prepaid expenses Joint Venture POC/Tullow oil for onshore exploration	3,140	1,833
Prepaid insurance costs	1,146	1,114
Prepayment of oil purchases	-	817
Other prepaid expenses	1,233	1,336
	<u>7,531</u>	<u>7,000</u>

5.2.6 Investments

The amount of US\$ 43,355 regards the back service pension costs related to the insured pension plan.



Performance of school children at the Staatsolie Show



Day trip for orphanages to Villa Zapakara-the Ghana Tour

5.2.7 Property, plant and equipment

Movement in 2010 in property, plant and equipment are as follows:

	Wells & equipment	Pipelines	Total oil properties	Refinery
Investments January 1	422,142	17,023	439,165	75,661
Adjustments	-	-	-	-
Disinvestments current year	(811)	-	(811)	(6,969)
Capitalized current year	33,591	507	34,098	551
Total investments December 31	454,922	17,530	472,452	69,243
Total depreciation January 1	(247,033)	(14,346)	(261,379)	(54,699)
Depreciation disinvestments current year	485	-	485	5,575
Depreciation current year	(20,885)	(387)	(21,272)	(4,054)
Total depreciation value December 31	(267,433)	(14,733)	(282,166)	(53,178)
Book value as of December 31	187,489	2,797	190,286	16,065



2009

Power plant	Other fixed assets	Projects in progress	Total tangible fixed assets	Total tangible fixed assets
21,638	113,185	60,464	710,113	634,969
-	-	-	-	(1,109)
-	(2,420)	-	(10,200)	(551)
14,077	16,554	41,425	106,705	76,804
35,715	127,319	101,889	806,618	710,113
(5,331)	(56,523)	-	(377,932)	(343,323)
-	2,361	-	8,421	545
(1,821)	(8,133)	-	(35,280)	(35,154)
(7,152)	(62,295)	-	(404,791)	(377,932)
28,563	65,024	101,889	401,827	332,181



Investment in wells and equipment

The 2010 depreciation rate of 0.09 (2009: 0.10) for the Tambaredjo Field, 0.16 for the Calcutta Field (2009: 0.17) and 0.02 for the Tambaredjo North-West Field is 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.

Wells and equipment

	2010	2009
Wells and equipment	388,732	362,952
Capitalized cost for dismantlement	66,190	59,190
	454,922	422,142
Less: accumulated depreciation	(267,433)	(247,033)
Bookvalue wells and equipment	<u>187,489</u>	<u>175,109</u>

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:

	2010	2009
Land and land improvement	1,666	1,666
Crude desalting and vacuum unit, visbreaker unit, tankfarm and utilities	56,782	63,664
Distributed control system	1,825	1,825
Crude storage tanks	4,166	4,015
Capitalized cost for dismantlement	4,804	4,491
	69,243	75,661
Less: accumulated depreciation	(53,178)	(54,699)
Total refinery assets	<u>16,065</u>	<u>20,962</u>

The refinery disinvestments and associated deprecation regards a write-off as a result of the company wide physical stock-take of assets.

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 $\frac{1}{3}$ %, 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:

	2010	2009
Buildings and production hall	3,315	3,212
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	134
Powerhouse equipment	23,626	9,979
Tank battery	768	768
Capitalized cost for dismantlement	987	674
	35,715	21,638
Less: accumulated depreciation	(7,152)	(5,331)
Total power plant assets	28,563	16,307

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 $\frac{1}{3}$ % and office furniture, fixtures and similar assets at 50%. Where applicable a residual value is taken into consideration.

Other fixed assets comprise the following:

	2010	2009
Properties & Dock TLF	46,807	36,751
Buildings and installations	30,850	29,782
Oil tankers	7,441	7,429
Drilling machinery, heavy equipment and transportation	19,971	18,344
Office furniture, fixtures and tools	22,250	20,879
	127,319	113,185
Less: accumulated depreciation	(62,295)	(56,523)
	65,024	56,662

The assets from Ventrin and POC are also included in the overview above. The bookvalue of the Ventrin assets as of December 31, 2010 amounts US\$ 2,246,908 (2009: US\$ 2,484,596).

The book value of the POC assets as of December 31, 2010 amounts US\$ 18,535 (2009: US\$ 26,140).

Projects in progress

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

The movement of the projects in progress is as follows:

	2010	2009
Balance as of January 1	60,464	44,158
Capitalized cost ³⁾	109,994	129,438
	170,458	173,596
Less: reclassification to		
- wells and equipment	(26,592)	(16,515)
- refinery	(237)	(1,017)
- powerplant	(14,076)	(75)
- other fixed assets	(16,551)	(35,545)
- expense ⁴⁾	(11,068)	(59,754)
- dividend ⁵⁾	(45)	(226)
Balance as of December 31	101,889	60,464

³⁾ In 2010 an amount of US\$ 176 million (YTD December 31, 2010 US\$ 21.1 million) regarding the Refinery expansion was capitalized under projects in progress. This amount includes the interest costs allocated to this project.

⁴⁾ In 2010, an amount of US\$ 6.1 million of the Refinery Expansion Project was expensed (2009: US\$ 30.7 million). Furthermore, an amount of US\$ 4.6 million regarding unsuccessful exploration wells was expensed in 2010 (2009: US\$ 1.6 million).

⁵⁾ The prepaid costs for the extension of the Exclusive Economic Zone are subtracted from dividend.

5.2.8 Minority interest Ventrin

The amount of US\$ 49,286 regards the minority interest of 1.6% in Ventrin in name of Entech Limited.

Current liabilities

5.2.9 Accounts payable

	2010	2009
Accounts payable in foreign currencies	5,106	1,013
Accounts payable in Surinamese dollars	565	683
	<u>5,671</u>	<u>1,696</u>

5.2.10 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\$ 2,033,302.

5.2.11 Accrued liabilities

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

	2010	2009
Cash dividend	31,440	33,212
Payables regarding the import of fuel oil	-	3,738
Allowances payable to management and personnel	3,985	3,215
Allocation for community development projects	750	1,000
Payables regarding consultancy and other services	2,621	3,215
Other short term provisions	1,866	1,894
Sales expenses	669	175
Accrued interest	697	-
Other payables	333	285
	<u>42,361</u>	<u>46,734</u>

5.2.12 Income and other taxes

	2010	2009
Income tax	29,387	18,226
Other taxes and social security	(8,597)	(6,012)
	<u>20,790</u>	<u>12,214</u>

The other taxes and social security of 2010 includes a credit balance of US\$ 5,678,839 (2009: US\$ 5,649,699) regarding value added taxes.

Long Term Debt

5.2.13 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.

5.2.14 Term Loan

Staatsolie concluded a secured long-term loan agreement with a syndicate of regional and international banks. The syndicate consists of the following lenders: Credit Suisse AG, ING Bank N.V., CitiBank N.A., RBTT Bank Limited, RBTT Bank (Suriname) N.V., First Caribbean International Bank (Curacao) N.V. The secured long-term loan was concluded for US\$ 235 million, US\$ 225 million term loan and US\$ 10 million revolving loan. In the third quarter of 2010, an amount of US\$ 5.2 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.

Provisions

5.2.15 Deferred income taxes

Movements in 2010 in the deferred income taxes were as follows:

	2010	2009
Balance as of January 1	50,303	46,255
Movement due to:		
Difference between commercial and fiscal calculation of profit	11,681	5,749
Unrealized financial gains from investment in pension plan and post retirement benefits	(2,033)	(1,701)
Balance as of December 31	<u>59,951</u>	<u>50,303</u>

The difference between commercial and fiscal calculation of profit mainly regards the facility for a reinvestment provision according to the mining decree.

5.2.16 Provision for dismantlement and abandonment

Provision for dismantlement and abandonment comprises the following:

	2010	2009
Production field in 2010: 1,357 wells (2009: 1,263 wells)	62,560	55,975
Production facilities: Saramacca and pipeline to TLF	5,466	4,546
Refinery and pipeline to Paranam	4,804	4,491
Power plant	987	674
	<u>73,817</u>	<u>65,686</u>

The increase in provision for dismantlement and abandonment of US\$ 8,131,734 consists exclusively of additions mainly as a result of an increase in wells.

5.2.17 Provision for pensions and other post retirement benefits

	2010	2009
Unfunded accrued pension benefits, insured pension plan	991	701
Unfunded accrued pension benefits, healthcare plan	9,788	8,021
	10,779	8,722

5.2.18 Provision for pension plan

The provision for pension plan of US\$ 6,450,696 regards the accrued pension cost related to the pension plan for employees, which is managed by the 'Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.'.

Pensions and other postretirement benefits

Staatsolie maintains 3 plans with regard to pensions and 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 healthcare benefit plan for retired personnel.

These plans can be specified as follows:

Pension benefits	Insured Pension benefits			Post-retirement healthcare		
	2010	2009	2010	2009	2010	2009
Benefit obligation as of December 31	(60,395)	(50,035)	(991)	(701)	(14,092)	(11,927)
Fair value of plan assets as of December 31	53,944	47,635	-	-	4,295	3,906
Funded status as of December 31	(6,451)	(2,400)	(991)	(701)	(9,797)	(8,021)

	(in %)	2010	2009	2010	2009	2010	2009
Actuarial assumptions		Pension benefits		Insured Pension benefits		Post-retirement health care	
Actuarial discount rate		5.2	5.6	5.2	5.6	5.2	5.6
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 expected increase of medical cost is rated at 6.0% annually.

	Pension benefits		Healthcare	
	2010	2009	2010	2009
Employer's contribution	2,800	2,437	-	-
Employee's contribution	933	907	-	-
Benefits paid	267	209	56	40

	Pension benefits			Insured pension benefits			Post(retirement healthcare)		
As of December 31	2009	2010	2011	2009	2010	2011	2009	2010	2011
Service costs	(2,582)	(2,998)	(3,588)	(32)	(46)	(46)	(537)	(716)	(851)
Interest costs	(2,428)	(2,802)	(3,141)	(37)	(39)	(52)	(509)	(664)	(729)
Return on assets	2,812	3,208	3,214	-	-	-	239	258	279
Unrecognized transition costs	(21)	(21)	(21)	(9)	(9)	(9)	(121)	(121)	(121)
Unrecognized prior service costs	(176)	(176)	(176)	(6)	(6)	(6)	-	-	-
Unrecognized gains/losses	(54)	(202)	(452)	-	-	(14)	(92)	(192)	(220)
Net pension costs	(2,449)	(2,991)	(4,164)	(84)	(100)	(127)	(1,020)	(1,435)	(1,642)

Investments Pension Fund ⁶⁾	2010	%	2009	%
Real estate	12,912	27	13,069	30
Securities	8,153	17	7,208	17
Mortgage loans	26,274	56	23,344	53
	47,339		43,621	

6) The segmentation of investments of the 'Stichting Pensioenfond's' is restricted to the guidelines of the "Centrale Bank van Suriname"

Off-balance commitments and contingencies

In 2010, the off-balance commitments and contingencies consist of the following:

	2011	2012-2015	Total
Long term sales contracts	302,787	229,651	532,438
Operational lease	2,256	2,089	4,345
Claims	2,015	-	2,015
Ordered goods, in transit	50,931	-	50,931
Study grants	323	844	1,167
	<u>358,312</u>	<u>232,584</u>	<u>590,896</u>

The following events, after the balance sheet date, are disclosed:

In 2011 the Engineering, Procurement and Construction contract with Saipem will be converted from a Cost Reimbursable contract into a Lump Sum contract, based on the mutually agreed Open Book Cost Estimate and pre agreed commercial uplifts as part of the signed contract.

5.3 Notes to the 2010 Consolidated Income Statement

x US\$ 1,000

unless indicated otherwise

5.3.1 Net revenues per product

	2010		2009	
	x 1,000 Bbls		1,000 Bbls	
Local refined products	5,681	428,224	5,174	311,218
Trading activities	1,570	130,444	1,640	108,145
Electric energy 7)		7,139		5,234
Total gross revenues	7,251	565,807	6,814	424,597
Net revenue local refined products after deduction of direct sales costs, including electric energy		544,482		406,735
Other sales related revenue				
- inventory change oil stock		2,986		5,632
- other revenues		167		745
Net sales revenue	7,251	547,635	6,814	413,112

7) The generated electric energy in 2010 consists of 79,602,998 kWh. (2009: 38,896,572 kWh). The reported revenues includes damages amounts charged according to the Power Purchase Agreement.

5.3.2 Depreciation

The breakdown of the depreciation expenses is as follows:

	2010	2009
Wells and equipment	20,885	18,969
Oil pipelines	387	369
Refinery	4,054	4,231
Power plant	1,821	1,562
Other fixed assets	8,133	10,023
	35,280	35,154

5.3.3 Other operational costs

The breakdown of the other operational costs is as follows:

	2010	2009
Trading activities Staatsolie of petroleum products	31,532	28,260
Imported petroleum products for blending	-	1,824
Electric energy	3,714	2,478
Paradise Oil Company	293	161
Trading activities Ventrin of petroleum products	88,097	50,290
	123,636	83,013

5.3.4 Other notes

In 2010 Staatsolie concluded a secured term loan and a local bond issue. The advisory fees related to these transactions are reported under General and Administration Expenses and, the interest, commitment fee and upfront fee are reported under Financial Expense and Income.

6 Financial Statements Staatsolie

1. Balance Sheet as of December 31, 2010 (after distribution of earnings)

x US\$ 1,000

A s s e t s	2010	2009
Current assets		
Cash and cash equivalents	291,355	203,738
Short(term investments	27,415	20,987
Accounts receivable	58,870	46,893
Inventories	21,866	17,482
Prepaid expenses and other current assets	17,978	12,613
	417,484	301,713
Investments		
Pension plan	43	50
	43	50
Property, plant and equipment		
Oil properties		
Evaluated properties	187,489	175,109
Pipelines	2,797	2,677
	190,286	177,786
Refinery	16,065	20,962
Power plant	28,563	16,307
Other fixed assets	62,760	54,153
	297,674	269,208
Projects in progress	101,949	60,464
	399,623	329,672
Total assets	817,150	631,435

Paramaribo, May 23, 2011

The Board of Executive Directors

M.C. Waaldijk Managing Director
 B.F. Nuboer Refining & Marketing Director
 G.P. Sairras Production & Development Director
 I.J. Poerschke Finance Director

x US\$ 1,000

Liabilities	2010	2009
Current liabilities		
Accounts payable	2,212	1,595
Accrued liabilities	43,025	46,565
Income and other taxes	25,355	14,404
	70,592	62,564
Long term debt		
7% Bond	55,144	-
Term Loan	5,128	-
	60,272	-
Provisions		
Deferred income taxes	59,938	50,303
Provision for dismantlement and abandonment	73,817	65,686
Provision for pensions and other post retirement benefits	10,779	8,722
Provision for pension plan	6,451	2,400
	150,985	127,111
Stockholders' equity	535,301	441,760
Total stockholders' equity & liabilities	817,150	631,435

Paramaribo, May 23, 2011

The Supervisory Board:

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

2. Income Statement 2010

x US\$ 1,000

	2010	2009
Revenues from		
Production & Refining	438,794	345,052
Trading activities	30,892	24,538
Electric energy	7,139	5,234
Gross revenues	476,825	374,824
Inventory variation	2,986	5,498
Other revenues	167	745
	479,978	381,067
Less: export , transport and sales costs	(21,242)	(17,781)
Net revenues	458,736	363,286
Exploration expenses including dry holes	(10,267)	(30,283)
Production expenses	(33,419)	(28,856)
Refinery expenses	(10,623)	(9,131)
Depreciation	(35,009)	(35,026)
Other operational costs	(35,414)	(32,696)
Operating income	334,004	227,294
General and administrative expenses	(26,123)	(19,354)
Refinery expansion	(6,135)	(30,763)
Impairment of equity investment	-	(148)
Financial income	(9,301)	5,821
Earnings before tax	292,445	182,850
Income tax charge	(104,747)	(65,473)
Net profit	187,698	117,377

Paramaribo, May 23, 2011

The Board of Executive Directors

M.C. Waaldijk Managing Director
 B.F. Nuboer Refining & Marketing Director
 G.P. Sairras Production & Development Director
 I.J. Poerschke Finance Director

The Supervisory Board

N. Bissumbhar Chairman
 G. Asadang Member
 R. Graanoogst Member
 A. Hilversum Member
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 S. Marica 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 shareholders' 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 2010 amounted to US\$ 1,437,246.

Paradise Oil Company (POC) is a wholly owned subsidiary of Staatsolie and is domiciled in Suriname. In 2010, POC has a negative net asset value of US\$ 700,040 and therefore the participation was valued at nil. The net loss of POC in 2010 amounted to US\$ 291,680.

Shareholders' equity

The difference between corporate and consolidated shareholders' equity is disclosed on page 30.

7 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.

2010 distribution of earnings

In 2010, a net profit was realized of US\$ 186 million. Management proposed a cash dividend of 50.39%, profit sharing for the Supervisory Board, management and personnel, a reserve for environmental risk and the remaining balance to be added to the general reserve. The proposal was adopted at the General Meeting of Shareholders held on May 23, 2011.

2. Adoption of Financial Statements of the Preceding Fiscal Year

The 2009 Financial Statements were adopted at the General Meeting of Shareholders held on April 8, 2010 and included Management's proposal for the appropriation of the 2009 profit.

8 Five Years Consolidated Income Statements

x US\$ 1,000

	2010	2009	2008*	2007	2006
Gross revenues	565,807	424,597	575,838	336,432	263,470
Net Revenues	547,635	413,112	564,947	331,877	245,974
Exploration expenses including dry holes	(10,385)	(30,283)	(5,366)	(3,963)	(490)
Production expenses	(33,419)	(28,953)	(26,141)	(20,216)	(18,545)
Refinery expenses	(10,623)	(9,131)	(10,679)	(8,148)	(6,745)
Depreciation	(35,280)	(35,154)	(36,242)	(34,266)	(27,504)
Other operational costs	(123,636)	(83,013)	(99,530)	(27,011)	(24,618)
Operating income	334,292	226,578	386,989	238,273	168,072
General and administrative expenses	(26,844)	(20,101)	(24,155)	(13,287)	(15,652)
Refinery expansion	(6,135)	(30,763)	-	-	-
Impairment of equity investment/goodwill	-	(148)	(7,379)	(377)	(3,123)
Financial expense and income	(10,094)	5,143	4,411	3,688	3,775
Earnings before tax	291,219	180,709	359,866	228,297	153,072
Income tax	(105,078)	(64,741)	(129,389)	(81,622)	(54,602)
Earning after tax	186,141	115,968	230,477	146,675	98,470
Minority interest Ventrin	23	29	16	-	-
Net profit	186,164	115,997	230,493	146,675	98,470

* Starting 2008 the subsidiaries Ventrin and Paradise Oil Company are consolidated



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