

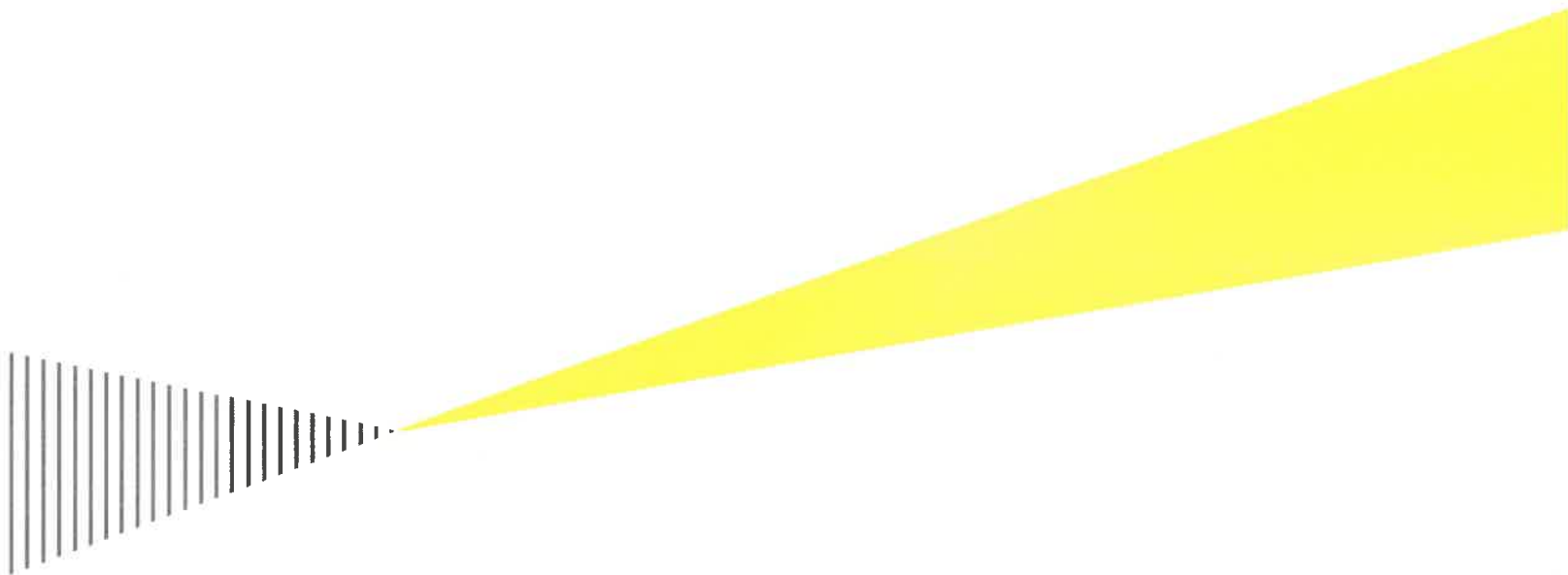
# STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

THIRD QUARTER REVIEW INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

SEPTEMBER 30, 2019

Ernst & Young



**Building a better  
working world**

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

THIRD QUARTER REVIEW INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

<b>CONTENTS</b>	<b>Page</b>
Independent Auditor's Review Report to Shareholders of Staatsolie Maatschappij NV .....	2
Interim Condensed Consolidated Statement of Profit or Loss .....	4
Interim Condensed Consolidated Statement of Other Comprehensive Income .....	5
Interim Condensed Consolidated Statement of Financial Position .....	6
Interim Condensed Consolidated Statement of Changes in Equity .....	8
Interim Condensed Consolidated Statement of Cash flows .....	10
Index to notes to the Interim Condensed Consolidated Financial Statements .....	12



**Building a better  
working world**

ERNST & YOUNG SURINAME, Branche    Tel: +597 7499460  
Ernst & Young Participaties N.V.    ey.com  
Cornelis Jongbawstraat 17  
Paramaribo  
Suriname

## INDEPENDENT AUDITOR'S REVIEW REPORT

TO SHAREHOLDERS OF STAATSOLIE MAATSCHAPPIJ NV

### Report on the Review of the Interim Condensed Consolidated Financial Statements

We have reviewed the accompanying interim condensed consolidated financial statements of Staatsolie Maatschappij Suriname N.V. ("the Group"), which comprise the interim condensed consolidated statement of financial position as at 30 September 2019, and the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the nine-months ended 30 September 2019 and notes to the interim condensed consolidated financial statements, including a summary of significant accounting policies.

Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Financial Reporting Standards IAS 34 Interim Financial Reporting. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Staatsolie Maatschappij N.V. do not present fairly, in all material respects, the financial position of the Group for the nine-month period ended 30 September, 2019 and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards IAS 34 - Interim Financial Reporting.



**Other Matter**

The comparative information for the interim condensed consolidated statements of comprehensive income, interim condensed consolidated changes in equity and interim condensed consolidated cash flows for the nine months period ended 30 September 2018 have not been audited or reviewed.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andrew Tom', followed by a horizontal line.

Andrew Tom  
Partner for and behalf of  
Ernst & Young Suriname  
Paramaribo,  
28 January, 2020

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

<b>x US\$ 1,000</b>	<u>Notes</u>	<u>Unaudited 30-Sep-19</u>	<u>Unaudited 30-Sep-18</u>
Revenue		372,471	359,909
Cost of sales		(201,001)	(171,988)
<b>Gross profit</b>		<b>171,470</b>	<b>187,921</b>
Other expense (net)		577	(3,520)
Expensed projects		(641)	(7)
Exploration expenses		(3,435)	(3,086)
Selling and distribution expenses		(10,304)	(10,331)
Other operating expenses		(3,631)	(3,139)
General and administrative expenses		(22,210)	(21,355)
<b>Operating profit</b>		<b>131,826</b>	<b>146,483</b>
Finance income	3	444	524
Finance costs	3	(49,307)	(68,574)
Share of profit of Suriname Gold Project JV		55,080	38,762
<b>Profit before income tax</b>		<b>138,043</b>	<b>117,195</b>
Income tax expense	4	(45,632)	(38,696)
<b>Profit for the period</b>		<b>92,411</b>	<b>78,499</b>
Attributable to:			
Equity holders of the parent		92,411	78,499
		<u>92,411</u>	<u>78,499</u>
Basic and diluted earnings per ordinary share (US\$ per share)	5	18.48	15.70

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
OTHER COMPREHENSIVE INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

x US\$ 1,000	Notes	Unaudited 30-Sep-19	Unaudited 30-Sep-18
<b>Profit for the period</b>		<b>92,411</b>	<b>78,499</b>
<b>Other comprehensive income (loss) not to be reclassified to profit in subsequent periods</b>			
Pensions and other postretirement benefits		-	-
Tax effect		-	-
Unrealized losses short-term investments		(16)	-
Tax effect		5	-
		(11)	-
<b>Net other comprehensive income not to be reclassified to profit in subsequent periods</b>		<b>(11)</b>	<b>-</b>
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</b>			
Unrealized losses short-term investments		-	(184)
Tax effect		-	60
		-	(124)
Currency translation adjustment GOw2		572	(29)
Tax effect		-	-
		572	(29)
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>		<b>572</b>	<b>(153)</b>
<b>Other comprehensive income/(loss) for the period net of tax</b>		<b>561</b>	<b>(153)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>92,972</b>	<b>78,346</b>
Attributable to:			
Equity holders of the parent		92,972	78,346
		92,972	78,346

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2019

x US\$ 1,000	Notes	Unaudited 30-Sep-19	Audited 31-Dec-18
<b>Assets</b>			
<b>Non-current assets</b>			
Oil, exploration and producing properties	2.3	647,161	541,777
Refining properties		900,704	922,457
Other property, plant and equipment		117,424	117,933
Investment properties		16,882	16,882
Goodwill		5,447	5,447
Other intangible assets		4,494	5,020
Right -of-use assets	2.4	4,841	-
Investments in Joint Ventures		282,380	282,997
Loan receivable long term		4,586	7,338
Restricted cash		4,039	4,537
Deferred tax asset		5,746	5,708
Total non-current assets		<u>1,993,704</u>	<u>1,910,096</u>
<b>Current assets</b>			
Inventories		113,277	75,588
Trade receivables		152,030	122,824
Prepayments and other current assets		24,609	17,763
Loan receivable short- term		6,511	3,759
Short-term investments		3,624	3,640
Restricted cash		12,207	4,201
Cash and short-term deposits		31,946	42,980
Total current assets		<u>344,204</u>	<u>270,755</u>
<b>Total assets</b>		<b><u>2,337,908</u></b>	<b><u>2,180,851</u></b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Common stock		12,104	12,104
Retained earnings		1,234,167	1,190,103
Other capital reserves		13,359	12,240
Total equity		<u>1,259,630</u>	<u>1,214,447</u>
<b>Non-current liabilities</b>			
Bond		-	98,862
Term loans		515,481	589,214
Provisions		72,693	67,438
Employee defined benefit liabilities		37,238	35,623
Lease liabilities (non -current)	2.4	2,827	-
Other long term liabilities		1,348	1,348
Total non-current liabilities		<u>629,587</u>	<u>792,485</u>
<b>Current liabilities</b>			
Bank overdraft		3,420	3,620
Trade payables		147,722	106,957
Accruals and other liabilities		54,199	37,170
Lease liabilities (current)	2.4	2,014	-
Income tax payable		42,329	1,172
Short-term portion of loans		199,007	25,000
Total current liabilities		<u>448,691</u>	<u>173,919</u>
<b>Total liabilities</b>		<b><u>1,078,278</u></b>	<b><u>966,404</u></b>
<b>Total equity and liabilities</b>		<b><u>2,337,908</u></b>	<b><u>2,180,851</u></b>

These interim condensed consolidated financial statements have been authorized for issuance by the Supervisory Board members and the Executive Board members on January 28, 2020.

**The Board of Executive Directors:**

R. Elias  Managing Director

 A. Moensi- Sokowikromo Finance Director



STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Retained earnings		Other capital reserves			Total equity
	Common stock	Retained earnings	Translation adjustment GOw2	Appropriated reserve for environmental risk	Appropriated reserve for committee of sports facilities	
<b>x US\$ 1,000</b>						
<b>Balance at January 1, 2019 (Audited)</b>	<b>12,104</b>	<b>1,206,422</b>	<b>(16,319)</b>	<b>9,000</b>	<b>3,240</b>	<b>1,214,447</b>
Profit for the period	-	92,411	-	-	-	92,411
Other comprehensive (loss)/income	-	(11)	572	-	-	561
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>92,400</b>	<b>572</b>	<b>-</b>	<b>-</b>	<b>92,972</b>
Dividend 2018	-	(32,350)	-	-	-	(32,350)
Interim dividend prior to shareholder meeting	-	(14,100)	-	-	-	(14,100)
Forex adjustment consumption tax GOw2	-	42	-	-	-	42
Allocation/ (Withdrawal)	-	(2,500)	-	500	619	(1,381)
<b>Balance at September 30, 2019 (Unaudited)</b>	<b>12,104</b>	<b>1,249,914</b>	<b>(15,747)</b>	<b>9,500</b>	<b>3,859</b>	<b>1,259,630</b>

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019  
(Continued)

	Retained earnings		Other capital reserves			Total equity
	Common stock	Retained earnings	Translation adjustment GOW2	Appropriated reserve for environmental risk	Appropriated reserve for committee of sports facilities	
<b>x US\$ 1,000</b>						
Balance at January 1, 2018 (Audited)	12,104	1,162,219	(16,226)	9,000	2,566	1,169,663
Profit for the period	-	78,499	-	-	-	78,499
Other comprehensive loss	-	(124)	(29)	-	-	(153)
<b>Total comprehensive income for the period</b>	-	78,375	(29)	-	-	78,346
Allocation/ (Withdrawal)	-	(375)	-	375	(533)	(533)
<b>Balance at September 30, 2018 (Unaudited)</b>	<b>12,104</b>	<b>1,240,219</b>	<b>(16,255)</b>	<b>9,375</b>	<b>2,033</b>	<b>1,247,476</b>

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

x US\$ 1,000	Unaudited	
	30-Sep-19	30-Sep-18
<b>Operating activities</b>		
<b>Profit before income tax from operations</b>	<b>138,043</b>	<b>117,195</b>
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation of Property, plant and equipment (PPE)	72,878	66,721
Depreciation right-of-use assets	1,439	-
Expensed projects	837	352
Amortization of intangible assets	769	1,807
Amortization of debt arrangement fee	1,412	12,282
Accretion expense	5,561	5,681
Accretion lease liability	491	-
Currency translation adjustment	572	(29)
Forex adjustment consumption tax GOw2	42	-
Finance income	(482)	(585)
Finance costs (excluding accretion expenses)	41,844	50,569
Share of profit in Suriname Gold Project JV	(55,080)	(38,762)
Movements employee defined benefit liabilities	1,615	3,410
Movement in Provisions	(306)	-
<b>Cash from operations before working capital changes</b>	<b>209,635</b>	<b>218,641</b>
<i>Working capital adjustments:</i>		
Increase in Inventories	(37,688)	(14,650)
Increase in Trade receivables	(29,207)	(56,172)
Increase in Prepayments and other current assets	(6,430)	(4,574)
Increase in Trade payables	40,765	7,782
Increase/(Decrease) in Accruals and other liabilities	16,111	(87,384)
<b>Cash generated from operations</b>	<b>193,186</b>	<b>63,643</b>
Interest received	66	10
Interest paid	(40,925)	(42,972)
Income taxes paid	(4,508)	(3,320)
<b>Net cash flows from operating activities</b>	<b>147,819</b>	<b>17,361</b>
<b>Investing activities</b>		
Expenditures on PPE (Purchase)	(156,838)	(79,563)
Expenditures Other Intangible assets	(243)	-
Cash distributions received from Suriname Gold Project JV	137,913	110,667
Cash calls paid to Suriname Gold Project JV	(82,216)	(75,279)
Movement of loan receivables	-	163
<b>Net cash flows used in investing activities</b>	<b>(101,384)</b>	<b>(44,012)</b>
<b>Financing activities</b>		
Re-financing of Term loans	-	279,153
Repayment of GOS loan	-	(261,534)
Repayment of DSB loan	-	(10,345)
Dividends paid to equity holders of the parent	(46,451)	-
Addition to the Sports Fund	2,000	-
Payments to the Sports fund	(3,380)	(533)
Payment of principal portion of lease liabilities	(1,930)	-
Movement in restricted cash	(7,508)	19,559
<b>Net cash flows (used in)/generated by financing activities</b>	<b>(57,269)</b>	<b>26,300</b>
<b>Decrease in cash and cash equivalents</b>	<b>(10,834)</b>	<b>(351)</b>
<b>Cash and cash equivalents, beginning of period*</b>	<b>39,360</b>	<b>42,808</b>
<b>Cash and cash equivalents, end of period*</b>	<b>28,526</b>	<b>42,457</b>

\*Includes bank overdrafts

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Continued)

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise the following:

<b>x US\$ 1,000</b>	Unaudited 30-Sep-19	Unaudited 30-Sep-18
Cash at banks and on hand	28,221	42,462
Short - term deposits	3,725	3,715
Cash and short -term deposits	31,946	46,177
Bank overdrafts	(3,420)	(3,720)
Cash and cash equivalents	<u>28,526</u>	<u>42,457</u>

Restricted cash is US\$ 16,246 as at September 30, 2019 (September 30, 2018: US\$ 7,903) of which US\$ 12,207 (September 30, 2018: US\$ 3,961) is current.

INDEX TO NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Section 1. Corporate and group information.....	13
1.1. Corporate information.....	13
1.2. Group information.....	14
Section 2. Basis of preparation and other significant accounting policies.....	15
2.1 Basis of preparation.....	15
2.2 Basis of consolidation.....	15
2.3 Summary of significant accounting policies.....	16
2.4 Significant accounting judgments, estimates and assumptions.....	38
2.4.1 Changes in accounting policies and disclosures.....	46
Section 3. Finance income & costs.....	54
Section 4. Income tax.....	55
Section 5. Earnings per share.....	56
Section 6. Property plant & equipment.....	57
Section 7. Capital commitments and other contingencies.....	57
Section 8. Group information and related party disclosures.....	58
Section 9. Events after the reporting period.....	61

## **Section 1. Corporate and group information**

### **1.1. Corporate information**

The interim condensed consolidated financial statements of the Group, which comprise Staatsolie Maatschappij Suriname NV (Staatsolie, as the parent) and all its subsidiaries, for the nine month period ended September 30, 2019, were authorized for issue in accordance with a resolution of the Supervisory Board on January 28, 2019.

Staatsolie is a limited liability company incorporated and domiciled in Suriname whose shares are solely owned by the Government of Suriname (GoS). The registered office is located at Dr. Ir. H. S. Adhinstraat 21, Paramaribo, Suriname

Staatsolie (the Company) is an integrated oil company in the Republic of Suriname of which the integrated activities include exploration, production, refining, marketing and distribution of petroleum and retail products.

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

The Group's parent and other related party relationships is presented in section 7- Group information and related party disclosures.

Staatsolie's vision is:

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

Staatsolie's mission is:

- 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.

Its values are:

1. HSEC Focused: We put health and safety first, strive for zero harm to our people and the communities around us, and minimize negative impacts upon the environment.
2. Integrity: We are honest and do what we say we will do.
3. People Focused: We create a supportive and collaborative environment, respect each other, are open to other's ideas and facilitate personal and professional growth.
4. Excellence: We set high standards for quality, strive to exceed expectations and do our work with a sense of urgency.
5. Accountability: We accept responsibility for our job and actions, are cooperative, and create a non-blaming environment.

## **1.2. Group information**

Staatsolie has four (4) subsidiaries of which three (3) are wholly owned: Paradise Oil Company N.V. (POC) and GOw2 Energy Suriname N.V. (GOw2) incorporated in the Republic of Suriname and Ventrin Petroleum Company Limited (Ventrin), a bunkering company incorporated in the Republic of Trinidad and Tobago.

Staatsolie holds 102,999 out of 103,000 shares of the Staatsolie Power Company Suriname N.V. (SPCS), incorporated in the Republic of Suriname, and the local electricity company N.V. EBS holds one share.

POC is, at the moment, a dormant company. In June 2015, POC's operations were put on hold and the company did not have any activity during the reporting period of 2019.

Furthermore, since November 2014, to date, Staatsolie has a participating interest of 25% in the Suriname Gold Project CV ('Surgold'), a limited partnership created between Newmont Suriname LLC and Staatsolie.

## **Section 2. Basis of preparation and other significant accounting policies**

### **2.1 Basis of preparation**

The interim condensed consolidated financial statements of Staatsolie as a group for the nine-months ended 30 September 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

These interim condensed consolidated financial statements do not include all of the information required for a full financial statements, and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, since these interim condensed consolidated financial statements provide an update on previously reported financial information.

The interim condensed consolidated financial statements for the nine-month period ended September 30, 2019, have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The interim condensed consolidated statements are presented in US dollars, and all values are rounded to the nearest thousand (US\$ 1000), except when otherwise indicated.

### **2.2 Basis of consolidation**

The interim condensed consolidated financial statements comprise the financial statements of Staatsolie and its controlled subsidiaries as at September 30, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

1. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
2. Exposure or rights to variable returns from its involvement with the investee;
3. The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interest (NCI).

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

## **2.3 Summary of significant accounting policies**

The following are the significant accounting policies applied in preparing its interim condensed consolidated financial statements:

### **a. Other intangible assets and goodwill**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortization (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

Indefinite lived intangibles, such as goodwill, are not amortized, instead they are tested for impairment annually as a minimum, or when there are indicators of impairment.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. To the extent that the cost of acquiring an equity investment exceeds the fair value of the net assets acquired, the excess is recorded as goodwill. Currently, the group carries goodwill on the books related to the acquisition of GOw2 which occurred in fiscal year 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset, if any, are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

**b. Investment in a joint venture**

The Group has a 25% participation in the Suriname Gold Project JV (SurGold) Limited partnership, whereas the Group has joint control over the limited partnership. The Group invests monthly through cash calls to SurGold. The Group's investment in the limited partnership is considered a joint venture and is accounted for using the equity method.

Under the equity method, the investment in the joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the limited partnership since the acquisition date.

The statement of profit or loss reflects the Group's share of the results of operations of the limited partnership. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the limited partnership, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity.

The aggregate of the Group's share of profit or loss of the limited partnership is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss before tax. The financial statements of the limited partnership are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss, if any, on its investment in the limited partnership. The Group determines at each reporting date whether there is any objective evidence that the investment in the limited partnership is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the loss as 'Share of profit of the participation in a JV' in the statement of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**c. Investment properties**

Investment properties are carried at historical cost less accumulated depreciation and impairment, where applicable. Investment properties are de-recognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**d. Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current and non-current distinction.

An asset is current when it is:

1. Expected to be realized or intended to be sold or consumed in the normal operating cycle;
2. Held primarily for the purpose of trading;
3. Expected to be realized within twelve months after the reporting period, or
4. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period, or
4. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**e. Fair value measurement**

The Group measures financial instruments and non-financial assets, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the interim condensed consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**f. Revenue from contracts with customers**

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

***Sale of oil products and thermal energy***

Revenue from the sale of oil products is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenues are recorded from the sales of thermal energy when the product is delivered at a fixed or determinable price, title has transferred, and collectability is reasonably assured.

Sales between group companies, as disclosed in the operating segment information, are based on prices generally equivalent to commercially available prices.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, and consideration payable to the customer (if any).

***(i) Variable consideration***

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of oil products give rise to a consideration payable to customers.

***Consideration payable to customers***

Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. The Group has some contracts for the sale of oil products that give rise to a penalty when failing to perform according to the agreed upon terms. The consideration payable to customers is accounted for as a reduction of the transaction price and, therefore, of revenue. If the consideration payable to a customer includes a variable amount, The Group estimates the transaction price.

***(ii) Significant financing component***

Generally, the Group provides short-term advances to its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers for the sale of oil products. However, the timing of the transfer of these goods or services is at discretion of the customer, this is not considered as a significant financing component.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

***(iii) Warranty obligations***

The Group typically provides warranties for guarantee of quality, providing the customer a timeframe of fifteen (15) days after delivery to raise a claim in regard to shortages and defect in quality/quantity of delivered goods. Under IFRS 15 this is not considered an additional good or service to the client and is therefore considered to be an assurance-type warranty. When material these types of warranties are accounted for as warranty obligations and the estimated cost of satisfying them is accrued in accordance with the requirements in IAS 37. Refer to the accounting policy on warranty provisions in section c) Provisions.

***(iv) Transportation services***

In some cases, the Group provides transportation services as part of contracts with customers when providing oil products. Transportation services are not considered a distinct performance obligation since this service to the client is not considered to be separately identifiable from the sale of oil products to the customer, these are considered highly interrelated.

***(v) Equipment rental***

The Group makes equipment available to the customers as part of contracts with customers when providing oil products. Equipment rental is not considered a separate performance obligation since this service to the client is not considered to be separately identifiable from the sale of oil products to the customer, these are considered highly interrelated.

***(vi) Contract balances***

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

In determining the recoverability of a trade or other receivable, the Group performs a risk analysis considering the type and age of the outstanding receivable and the creditworthiness of the counterparties. The Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

**g. Other income**

*Interest income*

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate ("EIR"). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of profit or loss.

*Dividends*

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

**h. Foreign currencies**

The interim condensed consolidated financial statements are presented in United States dollars (US\$), which is also the Group's functional currency and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity is measured using that functional currency. Within the Group, GOw2's functional currency changed from US\$ to the Surinamese dollars (SRD) effective January 1, 2016. This change arose due to the change in major contracts previously denominated in US\$ to SRD. Therefore, as it relates to GOw2, transactions are initially recorded in the functional currency (being SRD) at the rate of exchange ruling at the date of the transaction.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

(ii) Foreign subsidiaries

As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and, their statements of profit or loss are translated at the weighted average exchange rates for the year. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates as at the date of the initial transaction. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign entity is recognized in the consolidated statement of profit or loss.

i. Taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences subject to certain specific exceptions.

Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the temporary differences and carry forward of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred taxes relate to the same taxation authority

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and or payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

**j. Property, plant and equipment**

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions for further information about the recognized decommissioning provision.

Land and buildings are measured at historical cost, less accumulated depreciation on buildings, and impairment losses are recognized at the date of revaluation.

Exploration and evaluation assets

Exploration and evaluation activity involve the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalized as exploration and evaluation projects in progress until the drilling of the well is complete and the results have been evaluated.

These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

Geological and geophysical costs are recognized in the consolidated statement of profit or loss, as incurred.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through the statement of profit as a dry hole.

If extractable hydrocarbons are found and, subject to further appraisal activity (e.g. the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as projects in progress while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as projects in progress.

All such capitalized costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the consolidated statement of profit or loss.

When proved reserves of oil are identified and development is sanctioned by management, the relevant capitalized expenditure is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to oil properties.

Other than license costs, no amortization is charged during the exploration and evaluation phase.

As at 30 September 2019, Staatsolie recorded a capital expenditure amount of US\$ 86.6 million (2018: US\$1.8 million) for the nearshore drilling project.

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 Group's internal services. Capitalized costs for wells, equipment and production facilities are depreciated using the units of production (UOP) method.

All costs for development wells, related plant and equipment, and related Asset Retirement Obligation (ARO) are capitalized. Capitalized costs relating to investments in the oil field, including productive land properties, are depreciated based on the UOP method, generally by individual field, as the proved developed reserves are produced. The UOP factor is derived from the year oil production and the related proved developed oil reserves.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

Oil properties – assets under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Assets under construction' which is a subcategory of 'Oil and gas properties' once the work completed to date supports the future development of the asset and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within 'oil properties'.

Development expenditure is net of proceeds from the sale of oil produced during the development phase to the extent that it is considered integral to the development of the asset. Any costs incurred in testing the assets to determine whether they are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognized in the consolidated statement of profit or loss.

When a development project moves into the production stage, all assets included in 'Assets under construction' are then transferred to 'Producing assets' which is also a sub-category of 'Oil properties'. The capitalization of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to 'Oil and gas properties' asset additions, improvements or new developments.

Oil properties – producing assets and other property, plant and equipment

(i) Initial recognition

'Oil and gas properties' and 'Other property, plant and equipment' are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost (if the asset was previously classified as assets in development), any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

(ii) Depreciation/amortization

Oil properties are depreciated/amortized on a UOP basis over the total proved developed reserves of the field concerned. The UOP rate calculation for the depreciation/amortization of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, which is generally 25 years for the refinery, and major inspection costs are amortized over three to five years, which represents the estimated period before the next planned major inspection.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation/amortization are reviewed at each reporting period and adjusted prospectively, if appropriate.

(iii) Major maintenance, refits, inspection and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalized. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Refinery, power plant and other fixed assets

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

Projects in progress

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

Power plant assets

The power plant assets are depreciated on a straight-line basis and as follows:

<b>Asset Category</b>	<b>Percentage</b>
Building hall	5%
Production hall	10%
Furniture	33.33%
Tank battery	20%
Powerhouse equipment	5 - 50 %
Other units	5 - 20%

Corporate & Other fixed assets

Land and freehold estates are not depreciated. Other properties outside the production field are being amortized on a straight-line basis. The annual depreciation percentages are as follows; Where applicable a residual value is taken into consideration.

<b>Asset Category</b>	<b>Percentage</b>
Building hall	10%
Telecommunication equipment	20%
Dock TLF	4%
Oil tanker	10%
Drilling machinery	20%
Heavy equipment	20%
Transportation equipment	33.33%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**k. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs incurred on or after the date of transition for all eligible qualifying assets are capitalized.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**I. Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized. Instead, the related expenditure is recognized in the consolidated statement of profit or loss when it is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

**m. Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**(i) Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Except for trade receivables, for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

Trade receivables for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (e) Revenue from contracts with customers.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss

The categories concerning financial assets at fair value through OCI and financial assets designated at fair value through OCI are not applicable for the Group.

***Financial assets at amortized cost (debt instruments)***

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables, cash and short-term deposits including restricted cash and loan receivables from the Government of Suriname.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

***Financial assets designated at fair value through OCI (equity instruments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity instruments as investment as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends recognized as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from the proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrecoverably its investment in locally listed equity securities under this category.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

Further disclosures if applicable and relating to impairment of financial assets are discussed in respective disclosures for significant assumptions and trade receivables, including contract assets.

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates, that the Group is unlikely to receive the outstanding contractual amounts in full, before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

(ii) Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes short-term investments of the Group in locally listed equity securities of local companies.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

**Fair values**

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

<i>x US\$ 1,000</i>	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>Sep-19</b>	<b>Dec-18</b>	<b>Sep-19</b>	<b>Dec-18</b>
<b>Financial Liabilities</b>				
Local Bond	99,007	98,862	100,629	100,629
Corporate term loan	615,481	614,214	615,481	614,214
<b>Total</b>	<b>714,488</b>	<b>713,076</b>	<b>716,110</b>	<b>714,843</b>

The fair values of the financial liabilities are included at the amount of which the instrument could be exchanged at the reporting date between willing parties, other than in a forced or liquidation sale. The fair values of the financial liabilities are determined based on price quotations at the respective reporting dates. The financial assets of the Group approximate fair value and are therefore excluded from the table above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

*Loans and borrowings*

This is the category most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

**Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**n. Inventories**

Petroleum products are valued at the lower of cost and net realizable value.

Raw materials:

- Purchase cost is valued on weighted average method

Finished goods and work in progress:

- Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

The cost of crude oil and refined products is the purchase cost, the cost of refining, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal operating capacity, determined on a weighted average basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

The net realizable value of crude oil and refined products is based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Materials and supplies are valued using the weighted average cost method.

Pipeline fill

Crude oil, which is necessary to bring a pipeline into working order, is treated as a part of the related pipeline. This is on the basis that it is not held for sale or consumed in a production process but is necessary to the operation of a facility during more than one operating cycle, and its cost cannot be recouped through sale (or is significantly impaired). This applies even if the part of inventory that is deemed to be an item of property, plant and equipment cannot be separated physically from the rest of inventory. It is valued at cost and is depreciated over the useful life of the related asset.

**o. Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**p. Cash and short-term deposits**

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

*Restricted Cash*

Restricted cash is required for financing purposes as this has been the requirement of Staatsolie's financiers. The restricted accounts are used for international collections from our international customers to deposit their payments. The accounts contain a three months' worth of debt service and are funded monthly. Every three months interest and principal, if any, is paid out. After the necessary funding has taken place, Staatsolie can obtain the remaining cash for its operations.

**q. Cash dividend**

The Group recognizes a liability to make cash distributions to owners of equity when the distribution is authorized, and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

**r. Provisions**

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss.

Warranty provisions

The Group typically provides warranties for guarantee of quality, providing the customer a timeframe of fifteen (15) days after delivery to raise a claim in regard to shortages and defect in quality/quantity of delivered goods. Provisions related to these assurance-type warranties are recognized when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty related costs is revised annually.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

Decommissioning liability

The Group recognizes a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the field location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related oil assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of inventory are expensed when the inventory item is recognized in cost of goods sold. Additional disturbances which arise due to further development/construction at the oil and gas property are recognized as additions or charges to the corresponding assets and decommissioning liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as production continues.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas properties. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of profit or loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of profit or loss as a finance cost.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**s. Pensions and other post-employment benefits**

The Group operates defined benefit pension plans. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. In addition, the Group operates other long-term employee benefit plans, of which the re-measurements are recognized in the profit or loss. Furthermore, for both the defined benefit pension plans and the other long-term employee benefit plans past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment
- And
- The date on which the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

**2.4 Significant accounting judgments, estimates and assumptions**

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

***Judgments***

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

*Operating lease commitments — group as lessee*

The Group has entered into commercial car and vessel leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the cars and vessels, and the present value of the minimum lease payments not amounting to substantially all of the fair value of the cars and vessels, that it does not retain all the significant risks and rewards of ownership of these cars and vessels, and accounts for the contracts as operating leases.

*Investment in Joint Venture*

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - The legal form of the separate vehicle
  - The terms of the contractual arrangement
  - Other facts and circumstances, considered on a case by case basis

This assessment often requires significant judgment. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting treatment.

*Revenue from contracts with customers*

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligations in a bundled sale of oil products and transportation services  
In some cases, the Group provides transportation services as part of contracts with customers when providing oil products. The Group determined that transportation services are not considered a distinct performance obligation since this service to the client is not considered to



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

be separately identifiable from the sale of oil products to the customer, these are considered highly interrelated.

- Identifying performance obligations in a bundled sale of oil products and equipment rental  
The Group makes equipment available to the customers as part of contracts with customers when providing oil products. The Group determined that the sale of oil products and equipment rental are not capable of being distinct. The sale of oil products and equipment rental are highly interrelated, because the Group would not be able to sell the oil products if the customer declined equipment rental.
- Determining the timing of satisfaction of sale of oil products  
The Group determined that for contracts that are considered consignment arrangements, the obligation is to transfer the product to the consignee. The Group will not relinquish control of the consigned product until the product is sold to the end-customer. Consignees do not have any obligation to pay for the product, other than to pay the Group the agreed-upon portion of the sale price once the consignee sells the product to a third party. As a result, for consignment arrangements, revenue is recognized when the products are delivered to the end customer and the performance obligation has been satisfied.
- Consideration of significant financing component in a contract  
Generally, the Group provides short-term advances to its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers for the sale of oil products. However, since the timing of the transfer of these goods or services is at the discretion of the customer, this is not considered as a significant financing component.

- Determining method to estimate variable consideration  
Some contracts for the sale of oil products give rise to a consideration payable to customers. In case the Group is not able to supply the customer with oil products in the timeframe as agreed in the contract and before its stock out date, the Group is liable for the difference between the price of a third party for concerning oil products and the price as agreed in the contract. However, since the Group has no history of failing to deliver on contractual obligations, penalties are not considered upon determination of the transaction price.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Functional currency*

The functional currency for the parent entity and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. The functional currency for GOw2 is the Surinamese dollar (SRD). The functional currency of Staatsolie, SPCS and Ventrin is the US dollar (US\$). Determination of functional currency may involve certain judgements to identify the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

*Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

The default rate for the Group is determined as an average of the write -offs compared to the outstanding trade receivables balances using a window of a few years. This default rate is then determined per age bracket by adjusting the rate to align with the variation in the provision percentages per age bracket. For credit balances no ECL is considered.

The Group expects the same pattern for the future, therefore forward-looking estimates are not considered to have an impact on the default rate.

At every reporting date the historical observed default rate will be updated and changes in the forward-looking estimates will be analyzed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

Decommissioning liability

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques or experience at other production sites, cost increases as compared to the inflation rates of 2.5%, and changes in discount rates of 10.28%. The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil and gas reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

Environmental risk liability

Liabilities for environmental costs are recognized when a clean-up is probable, and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required. If the effect of the time value of money is material, the amount recognized is the present value of the estimated future expenditure.

Contingent liabilities

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractual and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

Recoverability of assets

The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less cost of disposal (FVLCD) and value-in-use (VIU). The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Units of production (UOP) depreciation of oil assets

Oil properties are depreciated using UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, relates to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortization will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Defined benefit plans (pension benefits)

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

increases and pension increases are based on expected future inflation rates for the respective countries.

Hydrocarbon reserve and resource estimates

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves that are attributable to the host government under the terms of the production-sharing agreements (PSAs). Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The economic tests for the December 31, 2018 reserve volumes were based on a future projection of crude oil prices using crude oil prices forecasted by PIRA Energy group as the reference price.

Average price of actual crude sales and the PIRA price premise for 2018 are the same requiring no adjustment for price differential. The same oil price premise was applied for all reserve categories less a transfer premium. A shrinkage factor of 1% was also applied to capture losses in delivery of crude to the refinery.

Average price differential between the PIRA crude price forecast and actual crude price realized by the Group in 2018 was US\$ 12.55/Bbl. (PIRA US\$ 48.74/Bbl. versus actual US\$ 61.29/Bbl.).

The current long-term PIRA crude oil prices used in the estimation of the commercial reserves are listed in the table below.

Year	US\$/Bbl
2019	57.82
2020	74.58
2021	68.66
2022	59.51
2023	55.10
2024	57.80
2025	60.99
2026	63.04
2027	64.76
2028	66.42
2029	68.20
2030	70.11
2031	71.88
2032	73.48
2033	75.12
2034	76.78
2035	78.47
2036	80.20

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; oil properties; property, plant and equipment; and goodwill may be affected due to changes in estimated future cash flows.
- Depreciation and amortization charges in the consolidated statement of profit or loss may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Provisions for decommissioning may require revision - where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

Deferred tax

Judgment is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgment is also required to determine whether deferred tax assets are recognized in the consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require the Group to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilize recognized deferred tax assets. Judgment is also required in respect of the application of existing tax laws in each jurisdiction.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Oil properties

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is, in itself, an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in the consolidated statement of profit or loss in the period when the new information becomes available.

### **2.4.1 Changes in accounting policies and disclosures**

#### **New and amended standards and interpretations**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases.

As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The nature and the impact of each amendment is described below:

#### **IFRS 16 Leases**

IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

**a. Nature of the effect of adoption of IFRS 16**

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease as it did not have any finance leases.

In an operating lease, the leased property was not capitalized, and the lease payments derecognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets foremost leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019:

- Right-of -use assets of USD 4,841 were recognized and presented separately in the statement of financial position
- Additional lease liabilities of USD 4,841 recognized.



STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

x US\$ 1,000

<b>Operating lease commitments as at 31 December 2018</b>	<b>12,834</b>
Weighted average incremental borrowing rate as at 1 January 2019	11%
Discounted operating lease commitment at 1 January 2019	9,879
Less:	
Commitments relating to short-term leases	(3,072)
Commitments related to Leases ending in 2019	(498)
Lease liabilities as at 1 January 2019	<u><b>6,309</b></u>

**b. Summary of new accounting policies**

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

➤ Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

➤ Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

➤ Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

➤ Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**c. Amounts recognized in the statement of financial position and profit or loss**

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

<i>x US\$ 1,000</i>	<b>Motor Vehicles</b>	
	<b>Right - of - use assets</b>	<b>Lease Liabilities</b>
<b>As at 1 January 2019</b>	6,309	6,309
Additions	-	-
Depreciation expense	(1,468)	-
Interest expense	-	(491)
Payments (Maintenance expense)	-	(414)
Payments (Lease expense)	-	(563)
<b>As at 30 September 2019</b>	<b>4,841</b>	<b>4,841</b>

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the interim condensed consolidated financial statements of the Group.

**Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Continued)

interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

**Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

**Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the interim condensed consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**Annual Improvements 2015-2017 Cycle**

• IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

• IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

• IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Continued)

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the interim condensed consolidated financial statements of the Group.

**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to References in the Conceptual Framework in IFRS Standards – Effective 1 January 2020
- Amendments to IFRS 3 – Definition of Business – Effective 1 January 2020
- Amendments to IAS 1 and IAS 8 – Definition of Material – Effective 1 January 2020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**Section 3. Finance income & costs**

**Finance income**

	Unaudited <b>30-Sep-19</b>	Unaudited <b>30-Sep-18</b>
<b>x US\$ 1,000</b>		
Interest income on loans	440	514
Other interest income	4	10
<b>Total finance income</b>	<b>444</b>	<b>524</b>

**Finance costs**

	<b>30-Sep-19</b>	<b>30-Sep-18</b>
<b>x US\$ 1,000</b>		
Interest on borrowings	(43,010)	(52,401)
Accretion expenses	(6,052)	(5,681)
Other finance charges	(245)	(10,492)
<b>Total finance costs</b>	<b>(49,307)</b>	<b>(68,574)</b>

In 2019 finance costs were US\$19.2 million lower than 2018 because the GOS loan was fully paid in 2018, (-US\$ 8.0 million), previous debt arrangement fees were expensed in 2018

(-US\$ 11.0 million) and the costs related to the purchase in 2018 of 4.8% share in Suriname Gold Project JV participation (-US\$9.7 million) offset by higher (+US\$ 9.4 Million) interest expense in 2019 regarding the term loan as the result of the refinancing.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**Section 4. Income tax**

The major components of income tax for the period ended 30 September 2019 are as follows:

**Consolidated statement of profit or loss**

<b>x US\$ 1,000</b>	<b>Unaudited 30-Sep-19</b>	<b>Unaudited 30-Sep-18</b>
<b>Current income tax:</b>		
Current tax expense	(45,666)	(38,684)
<b>Deferred tax:</b>		
Income relating to origination and reversal of temporary differences	34	(12)
<b>Income tax expense reported in the consolidated statement of profit or loss (net)</b>	<b><u>(45,632)</u></b>	<b><u>(38,696)</u></b>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**Section 5. Earnings per share**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

	Unaudited <b>30-Sep-19</b>	Unaudited <b>30-Sep-18</b>
Net profit attributable to ordinary shareholders (US\$'000)	92,411	78,499
Weighted average number of ordinary shares (number of shares - million)	5,000	5,000
<b>Basic earnings per ordinary share (US\$ per share)</b>	<b>18.48</b>	<b>15.70</b>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**Section 6. Property plant & equipment**

During the nine months ended 30 September 2019, the Group acquired assets with a cost of US\$ 156,838 (30 September 2018: US\$ 79,563)

**Section 7. Capital commitments and other contingencies**

**Other contractual obligations / commitments**

	Unaudited <b>30-Sep-19</b>	Audited <b>31-Dec-18</b>
<i>x US\$ 1,000</i>		
Due within the next 3 months (Oct-Dec-19)	5,483	-
Within one year	26,473	15,192
After one year but not more than five years	11,675	14,471
	<u>43,631</u>	<u>29,663</u>

**Sales contractual obligations**

The Group has sales obligations of US\$ 23,606 as at 30 September 2019

	Unaudited <b>30-Sep-19</b>	Audited <b>31-Dec-18</b>
<i>x US\$ 1,000</i>		
Due within the next 3 months (Oct-Dec-19)	23,263	-
Within one year	343	85,376
After one year but not more than five years	-	40,192
	<u>23,606</u>	<u>125,568</u>

**Legal claim contingency**

The Group also has a legal claim relating to a lease contract where there is not enough probability to reasonably recommend a provision. The case is not pending in the courts of Suriname nor have been entered into arbitration. The case has been reviewed by the in-house legal department. Based hereon it is advised to the Group that the case is only possible, but not probable that the action will succeed. Accordingly, no provision for any liability has been made in these interim condensed consolidated financial statements for this case.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**Section 8. Group information and related party disclosures**

**Information about subsidiaries**

The consolidated financial statements of the Group with Staatsolie N.V. as the main shareholder includes the following subsidiaries:

Subsidiaries	Activities	Country of in Corporation	% Equity Interest	
			2019	2018
GOw2	Distributions and Trading	Suriname	100	100
Ventrin	Distributions and Trading	Trinidad and Tobago	100	100
POC	Exploration activities	Suriname	100	100
SPCS	Electricity Generator	Suriname	99.99	99.99

POC is at this moment a dormant company and activities were put on hold since 2015. The non-controlling interest in SPCS is not material to the Group.

*Joint arrangement in which the Group is a joint venture*

The Group has a 25% interest in Suriname Gold Project C.V. (2018: 25%).

**Transactions with related parties**

The following tables provide the total amount of transactions with state-owned enterprises that have been entered into during the nine months ended 30 September 2019 and 2018, as well as balances with related parties as at 30 September 2019 and 31 December 2018:

*N.V. Energie Bedrijven Suriname (EBS)*

<b>x US\$ 1,000</b>	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2018	25,514	9,524	30,731	3,419
2019	27,714	8,126	24,938	2,509

*Government of Suriname (Gos)*

<b>x US\$ 1,000</b>	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2018	59,633	-	-	-
2019	69,948	-	78,432	-

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

*Suriname American Industries Limited (SAIL)*

<b>x US\$ 1,000</b>	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2018	380	-	1,942	-
2019	-	-	1,917	-

*Melkcentrale Paramaribo N.V.*

<b>x US\$ 1,000</b>	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2018	62	-	-	-
2019	87	-	6	-

*N.V. Surinaamse Waterleiding Maatschappij*

<b>x US\$ 1,000</b>	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2018	572	-	12	-
2019	-	-	-	-

*Grassalco N.V.*

<b>x US\$ 1,000</b>	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2018	181	-	-	-
2019	170	-	-	-

*Surinaamse Dok en Sheepvaart mij*

<b>x US\$ 1,000</b>	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2018	-	-	-	-
2019	100	-	66	-

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

*Telesur N.V.*

<i>x US\$ 1,000</i>	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2018	-	-	-	-
2019	-	302	-	-

**Loans from/to related parties**

<i>x US\$ 1000</i>			Interest charges	Amounts owed by related parties
From:	To:			
Government of Suriname	Staatsolie	2018	9,985	-
		2019	-	-
SPCS	Government of Suriname	2018	743	11,097
		2019	415	11,513

**Compensation of key management personnel of the Group:**

<i>xUS\$ 1,000</i>	2019	2018
Short term employee benefits	1,681	1,977
Post-employment pension and medical benefits	236	236
Total Compensation paid to key management personnel	1,917	2,213

There are no other related party transactions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019  
(Continued)

**Section 9. Events after the reporting period**

In June 2019 the Government of Suriname has decided to transfer to Staatsolie their 30% participation right in the Unincorporated Joint Venture with IAMGOLDS's Rosebel Gold Mines N.V. (RGM) in regard to the development and production of Gold from the Pikin Saramacca mine.

In December 2019 Staatsolie agreed to acquire the 30% participation interest and will negotiate a joint venture agreement that becomes effective by April 2020.

To finance the above participation and to refinance the existing bond, Staatsolie Maatschappij Suriname NV has initiated the process of issuing a US\$ 150 million bond in the first quarter of 2020.

As of the 1<sup>st</sup> of January 2020, the Government of Suriname transferred the ownership and management of the Afobaka Hydropower dam, at no costs and without any existing or previous liability to Staatsolie Maatschappij Suriname NV's subsidiary "Staatsolie Power Company Suriname NV".

On Tuesday 7<sup>th</sup> of January 2020 the Joint Venture between Apache Corporation and Total S.A. announced a "significant oil discovery" on Block 58 offshore Suriname.

Staatsolie has the right to participate for up to 20% in the Joint Venture.

On December 31, 2019 the Sixth Amendment to the Fourth Amended and Restated Credit Agreement was executed, which included the following key changes:

1. Additional reporting of liquidity is required;
2. Amendment to the Debt Service Coverage Certificate to include additional reporting information; and
3. Additional conditions must be met before payment of any dividend.

Effective January 27, 2020 the Seventh Amendment to the Fourth Amended and Restated Credit Agreement was executed, which include the following key changes:

1. Increase of the limit of unsecured bonds from \$150M to \$550M,
2. Approval to invest in the Saramacca Project (30% participation rights in the joint venture with IAMGOLD Rosebel Gold Mines N.V. in the Pikin Saramacca mine of IAMGOLD),
3. Expansion of the "markets" to issue the unsecured bond with Curacao, St. Maarten, Aruba and Bonaire.