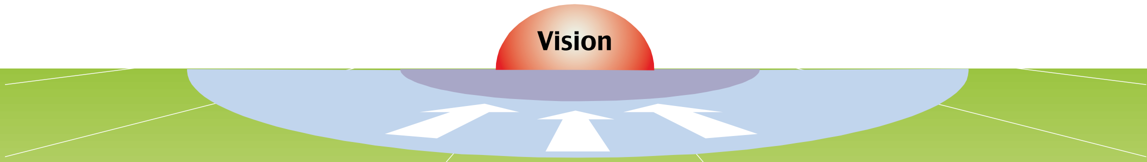
Half-Year Report 2012

STAATSOLIE

Staatsolie
Vision 2020



Leading the sustainable development of Suriname’s energy industry.

Making a strong contribution to the advancement of our society.

Becoming a regional player with a global identity in the energy market.

Mission

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

Values

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

STAATSOLIE

Content

I. Shareholder, Supervisory Board, Board of Executive Directors and Management

Sole Shareholder

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

Supervisory Board

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

Board of Executive Directors

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

Deputy Directors

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

Division Managers

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

Managers assigned

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

II. Letter of the Managing Director

During the first half-year of 2012 we continued delivering outstanding financial and operational results, with consolidated gross revenues of US$ 507 million. The 2012 midyear earnings before tax amounted to US$ 238 million, an increase of 17% compared to the corresponding 2011 earnings. These results are mainly because of increased trading volumes, high oil prices and our significant efforts to control operational costs. Considering oil prices of US$ 100 a barrel for the rest of the year, we will surpass US$ 1 billion in revenues.

Although the outlook is very positive, we are well aware of the possible impact of the global economic turmoil on Suriname. However recent positive reviews of the country by the rating bureaus are evidence of the Government's commitment to further strengthen the economy.

The long term demand for renewable and non renewable energy will continue to drive upward, increasing the tension between energy demand and supply. To further implement our growth strategy, investments for the period 2013-2016 are budgeted at an average of US$ 400 million annually compared to US$ 200 million per year for the plan period 2008-2012.

The remaining proven reserves at the end of June 2012 amounted to 78.8 million barrels.

Finding oil is core in our exploration-led growth strategy. We revisited our exploration strategy and decided to ramp up our exploration efforts onshore, near shore and offshore as well as assessing exploration opportunities outside the Suriname-Guyana basin. Securing more crude reserves is essential for our long term growth.

Our largest project, the Refinery Expansion Project, is progressing well and we are to complete this project in the second half of 2014. To show management commitment and meet the project people, I regularly join project team members during visits at execution centers worldwide.

With consent of the Government, being the single shareholder, we have started investigating the possibilities of partial privatization. An important assumption is that the Government remains the majority shareholder and that minority shares are widely distributed amongst Surinamese citizens. The Government will appoint a taskforce to conduct an in-depth analysis on the possibilities of a share issue. Based on the outcome the stakeholders will decide on the way forward.

We have made remarkable progress in the first half of 2012 and on behalf of the Board of Executive Directors I extend my gratitude to our employees, customers, contractors, the Supervisory Board and the Shareholder. Each of you has contributed in achieving our goals!

Thank you!

Paramaribo, September 28, 2012

M.C.H. Waaldijk
Managing Director

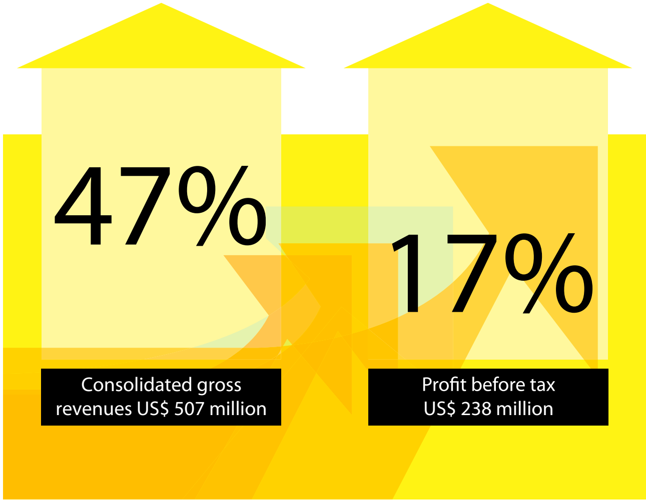
Marc Waaldijk and Rudolf Elias visited the construction site in Hazira, India, one of the worldwide construction sites.

Work in the fabrication yard in Sardinia, Italy.

III. Operational Performance First Half of 2012

In the first half of 2012 the consolidated gross revenues amounted to US$ 507 million, an increase of 47% compared to the same period of 2011. Profit before tax amounted to US$ 238 million, compared to US$ 203 million in the same period of 2011, an increase of 17%. Contributions to the Government budget in the reporting period increased by 16% compared to the same period in 2011, amounting to US$ 161 million.
The average year-to-date product net sales price was US$ 107.12 per barrel, which is an increase of 11% compared to the average net sales price of US$ 96.87 per barrel in the first half of 2011.

Total sales of petroleum products after elimination of intra-company sales amounted to 3.91 million barrels in the first half of 2012, an increase of 17% compared to the same period of 2011. These volumes include sales from our own production and trading realized by our local subsidiary Suritex and the Trinidad-based Ventrin. Sales volume from own production amounted to 2.94 million barrels, an increase of 4% compared to the same period of 2011.
Compared to the first half of 2011, the total traded volumes of gasoil, gasoline and fuel oil increased with 116%.



Import of petroleum products from PDVSA PETROLEO S.A. (Venezuela) continued; the first shipment arrived in January.

Upstream

There was a setback in the development drilling program in the Tambaredjo North West (TNW) field. Due to a delay in the availability of drilling rigs, only 18 of the projected 56 wells were drilled and completed. But despite the delay

Construction site at Tout Lui Faut.

in the development drilling program, crude oil production totaled 3 million barrels (16,400 bopd), 2% higher compared to the same period of 2011. Nine more wells were taken into production in the Tambaredjo field, bringing the total amount of new producers to 27 wells.

A review of the STOIIP (Stock Tank Oil Initially in Place) calculation was conducted by Ryder Scott. This review defined the gaps and improvements and also the roadmap to implement improvements for guaranteed consistency in the STOIIP methodology.

Four exploration wells were drilled in the Weg naar Zee central area. From the total of 19 wells drilled in 2011 and 2012, 3 wells had oil shows and oil columns were found in 15 wells. At least 8 oil bearing reservoirs were counted in the Weg naar Zee central area.

Downstream

In the first half of 2012 the refinery production was 1.28 million barrels; approximately 4% lower compared to the same period in 2011. This shortfall was due to an unscheduled shutdown to carry out necessary decoking of the viscosity-breaker heater.

Institutional

Processing of the 5,000 km 2D seismic data from the Demerara High was completed by mid August 2012; interpretation is in progress and an evaluation report is expected at the end of November 2012. Meanwhile the area is divided in four blocks (54, 55, 56 and 57) to be offered to the industry through the 2013 bid round.

A short-listed bidding round for blocks 52 and 53, resulted in negotiations with respectively Apache and Petronas. Parties expect to sign the production sharing contracts in the last quarter of 2012.
In block 47 Tullow acquired 1,250 km^2 of the required 2,987 km^2 3D seismic in the first half of 2012.

Subsidiaries

Paradise Oil Company N.V. started a second drilling appraisal program in the Uitkijk Block and continued exploration drilling in the Coronie Block. In near shore Block 4, 2D and 3D seismic data was acquired. In the second half of 2012 the data will be analyzed to generate drillable prospects in Block 4.

Since its inception in August 2006, **Staatsolie Power Company Suriname N.V. (SPCS)** has been a company in formation. As of April 16, SPCS is a limited liability company. Staatsolie is the main shareholder and the local electricity company Energie Bedrijven Suriname (EBS) holds one share. Operations of SPCS in the first half of the year largely depended on the availability of surplus hydropower from the Afobaka Hydro Power Plant.

In 2011, activities focused on reviving **Ventrin Petroleum Company Limited Trinidad.** After some initial difficulties much attention was given to establishing an adequate margin and at the same time attaining sufficient volumes, resulting in a first-half year profit.

In the context of a solid positioning of **Suritex N.V.** in the Surinamese market a rebranding program started for all the service stations acquired from Chevron Texaco in 2011. Prior to the physical rebranding all sites will be subjected to a 'Human and Environmental Risk Assessment', to determine whether the soil and/or groundwater is contaminated. In case contaminations are found, the risks will be assessed and actions will be taken to eliminate or mitigate the risks. In June a campaign for a new name for the service stations was launched. The participation of the community was beyond expectation with over 12,000 submissions. The next step is to design a unique logo for the selected name 'GO2', which in Surinamese can be read as gowtu, meaning gold.

Key Performance Indicators 2011 - 2012

	First half 2012	First half 2011
Consolidated turnover	**US$ 507 mln**	**US$ 344 mln**
Gross returns	**US$ 238 mln**	**US$ 203 mln**
Contributions to the Government budget	**US$ 161 mln**	**US$ 139 mln**
Average year-to-date product net sales price	**US$ 107.12 per barrel**	**US$ 96.87 per barrel**
Crude oil production	**3 mln barrels**	**2.94 mln barrels**
Total sales of petroleum products	**3.91 mln barrels**	**3.3 mln barrels**

Projects

The Refinery Expansion Project (REP) advanced according schedule. Engineering, Procurement and Fabrication (EPF) has progressed from 21.3% to 36.2%[1] over the first half of 2012. The overall EPF Project Schedule has undergone a revision and the new start-up date is set for September 2014. The construction of the refinery is awarded to various construction contractors, which are managed by Saipem SA, Italy.

Review of the 90% three-dimensional model has been completed in Rome and substantially detailed design activities are being carried out at the Saipem office in Chennai, India. All major equipment and bulk materials have been procured and the work at the the Tout Lui Faut site and fabrication yard in Sardinia (Italy) have started.

Site construction officially started in February 2012 with piling activities. By the end of June, the temporary construction facilities were completed and plant roads constructed. The piling of concrete and steel piles progressed well to 46% and 28% respectively. The safety record so far has been very good: 235,000 construction man-hours without any lost-time injuries. Under the Staatsolie scope of work, civil works supporting the site construction has commenced. Various training programs for Staatsolie personnel as well as for construction workers are being executed.

The pre-feasibility studies for the **Wageningen Sugarcane to Ethanol Project** have been finalized, completing the assessment phase of the sugarcane pilot cultivation project. The average yield achieved in the pilot was approximately 94t/ha, exceeding the target. A plant configuration was selected achieving the optimum percentage of fermentable sugars for ethanol production. Ethanol production is a valuable addition to the product portfolio of Staatsolie. The Environmental and Social Impact Assessment has indicated that the project will not have an adverse impact on the environment and additionally shows a positive impact on the community. The final project approval will take place in the second quarter of 2013.

As with most hydropower projects sensitive social issues will have to be addressed during the **TapaJai Hydropower Project**. As a consequence the project studies only start after stakeholders' – indigenous and tribal people living in the project area – consent is obtained. The Definition Study as well as the Environmental and Social Impact Assessment are now scheduled to begin in the fourth quarter of 2012.

The objective of the Biofuel Roadmap is to identify the most promising energy crops for Suriname. The first part of the study was finalized and included a listing of all energy crops that could potentially be cultivated in Suriname. Based on criteria that are specific to the development of Biofuels in Suriname, a selection of the most promising and commercially attractive crops was made.

The premise of the 'Lemna Growth Confirmation' **Petro Algae Pilot Project** is to validate the potential productivity of local micro-crop species, with the objective to indicate the economic returns on a commercial scale. Extensive testing was performed at the Comfish site in Commewijne. The results to date don't meet our expectations, so research is continued.

We have continued our partnership with **Biosolarcells/**

1) The EPF progress is based on the following 3 different progress levels with different weights:
- Engineering progress based on milestones in the delivery of engineering documents (18% weight percentage);
- Procurement progress based on milestones in the procurement of equipment and materials (67% weight percentage);
- Fabrication progress based on the status of work carried out in the yard (15% weight percentage)

Meetings with business and local community.

President Desi Bouterse (middle), President Theodoro Obiang of Equatorial Guinea (left) and Jennifer Geerlings-Simons, Speaker of The National Assembly, at the official start of the Refinery Expansion Project.

AlgaeParc Consortium in Holland. The goal of this project is to bridge the gap between fundamental research on algae and full-scale commercial biofuels, protein and chemicals production. One year after the opening in June 2010, a fully operational research plant was build and species with high TAG (lipid) productivity, grown on inexpensive feedstock were identified. A new industrial member from Spain, BIO OILS, has joined the consortium, bringing the number of partners to 19.

Supporting Services

Unfortunately, safety goals were not achieved. A total of five lost-time incidents were reported of which two occurred with Staatsolie employees and three with contractor employees, resulting in a total of 50 lost days. Additionally, the volume of spilled oil was 50% above our spill tolerance and also higher than the volume spilled in the second half of 2011. Directive actions have been identified to improve safety performance. As part of our Quality Management System, major improvements were achieved in the determination and monitoring of outsourced processes and also in closing the gaps between process interactions. An external remote-follow audit was carried out to measure the performance of our Quality Management System on outsourced processes. Furthermore, an internal audit was conducted, management review meetings were held and a certification renewal audit has been performed successfully.

As we grow, the number and range of relationships and expectations we need to manage are getting more complex. Therefore, we have taken a more strategic approach to our external stakeholder engagement. We are aiming to build trust and improve processes by discussions with and feedback from stakeholders. Stakeholders engagement before, during and after completion of all projects, is now a regular part of the project planning process. The Community Relations Department has become the focal point for handling and monitoring complaints and resolving community issues.

In January a Collective Labor Agreement, spanning the years 2011-2013 was reached with the labor union. During the first half of the year several HR projects were continued, among

While a pile driver knocks a concrete pile in the ground, a site worker measures the vibrations.

others the projects Organizational Structure and Strategic Workforce Planning. The HRM projects will run over into 2013.

A variety of community initiatives received support, amounting to US$ 220,000. Donations were made to projects in the areas of education, sports, culture, environment and projects for the underprivileged.

The Staatsolie Sports Fund spent US$ 200,000 on several projects. Three projects were completed and inaugurated; eight pending projects are scheduled for completion later this year and in 2013. The Staatsolie Foundation for Community Development granted a total of US$ 590,000 to projects related to education, health, safety and environment.

Work Program second half-year 2012

In the second half of the year, the 2012 work program will be continued. The focus will be on:

1. Continuation of exploration programs onshore and near shore as well as offshore. A 2D seismic program will be carried out in the Weg naar Zee and Coesewijne area and in the estuarine zones of five rivers. Five exploration wells will be drilled in the Nani Swamp area in the District of Nickerie.
2. The Testing and Inspection (T&I) program for the refinery will be completed.
3. Further execution of the Refinery Expansion Project.
4. Continuation of the Wageningen Sugarcane to Ethanol Pilot Project.
5. TapaJai Hydropower Project: negotiate a Heads of Agreement with Alcoa on the use of the Brokopondo Power Plant and an agreement with France on border river issues.
6. Start of a Human and Environmental Risk Assessment of Suritex sites; and rebranding of service stations.
7. Expansion of the electric generating capacity of SPCS with 32MW.
8. Development of six elements of the Integrated Health, Safety and Environmental Management System, also called SIGAS&SI.
9. Completion of the full Career and Succession Policy.
10. Execution of a 10 well appraisal drilling program in the Weg naar Zee central area.
11. Activities to secure long term financing for operations and investments.

Transport of material and equipment.

IV. Independent Auditor's Report

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

Report on the interim financial statements

We have audited the accompanying consolidated interim financial statements 2012 of Staatsolie Maatschappij Suriname N.V., Paramaribo, which comprise the consolidated balance sheet as at June 30, 2012, the consolidated income statement, the consolidated statement of changes in shareholder's equity and cash flows for the six months ended June 30, 2012 and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the interim financial statements, whether due to fraud or error.
In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the interim financial statements give a true and fair view of the financial position of Staatsolie Maatschappij Suriname N.V. as at June 30, 2012 and of its result and its cash flows for the six months ended June 30, 2012 in accordance with accounting principles generally accepted in the United States of America.

Paramaribo, 28 September 2012
Lutchman & Co | An independent correspondent firm of Deloitte Touche Tohmatsu
Already signed: Drs. M.R.A. Lutchman RA (Chartered Accountant)

Consolidated Interim Financial Statements 2012

V. Consolidated Interim Financial Statements

1. Consolidated Balance Sheet as at June 30, 2012
(before distribution of earnings)

x US$ 1,000

Assets	**Notes**	**As at June 30, 2012**	As at Dec 31, 2011
Current assets			
Cash and cash equivalents		437,982	496,788
Short-term investments		32,781	30,650
Accounts receivable	3	72,460	51,560
Inventories		20,099	22,379
Prepaid expenses and other current assets		67,191	44,957
		630,513	646,334
Investments			
Pension plan		769	-
		769	-
Goodwill		5,447	5,447
Property, plant and equipment			
Oil properties			
Evaluated properties		210,330	204,423
Pipelines		2,093	2,305
		212,423	206,728
Refinery		20,048	23,215
Power plant		25,659	26,533
Other fixed assets		75,781	76,185
		333,911	332,661
Projects in progress		393,956	209,010
		727,867	541,671
Minority interest		77	81
Total assets		**1,364,673**	1,193,533

Paramaribo, September 28, 2012

x US$ 1,000

Liabilities	**Notes**	**As at June 30, 2012**	As at Dec 31, 2011
Current liabilities			
Accounts payable		11,175	20,828
Bank overdraft		3,993	3,193
Accrued liabilities		71,114	56,622
Income and other taxes		43,685	35,605
Short term portion of Term Loan		50,000	37,500
		179,967	153,748
Long term liabilities			
7% Bond		55,020	54,999
Term Loan		155,796	179,752
FCIB long/medium term loan facility		4,419	4,891
		215,235	239,642
Provisions			
Deferred income taxes	4	74,013	64,497
Dismantlement and abandonment		84,463	81,248
Pensions & other post retirement benefits	5	16,164	16,364
Pension plan	6	25,266	24,211
Environmental Risk		2,220	2,220
		202,126	188,540
Shareholder's equity		767,345	611,603
Total shareholder's equity & liabilities		**1,364,673**	1,193,533

Paramaribo, September 28, 2012

2. Consolidated Income Statement for the Six Months Ended June 30, 2012

x US$ 1,000

	Notes	**Jan - Jun 30, 2012**	Jan - Jun 30, 2011
Revenues from			
Production & Refining		282,207	272,919
Trading activities		216,483	69,829
Electric energy		8,387	847
Gross revenues		507,077	343,595
Inventory variation		3,338	2,895
Other revenues		2,240	265
		512,655	346,755
Less: export-, transport- and sales costs		(10,225)	(11,710)
Net revenues	8	502,430	335,045
Exploration expenses including dry holes		(17,583)	(13,127)
Production expenses		(16,914)	(16,884)
Refinery expenses		(6,894)	(5,683)
Depreciation		(19,950)	(16,555)
Accretion expenses		(2,437)	(2,222)
Other operational costs		(181,731)	(59,460)
Operating income		256,921	221,114
General and administrative expenses		(13,802)	(12,125)
Expensed projects		(3,031)	(3,917)
Financial expense and income		(2,467)	(2,474)
Earnings before tax		237,621	202,598
Income tax charge	9	(85,857)	(75,735)
Earnings after tax		151,764	126,863
Minority interest		(4)	18
Net profit		**151,760**	126,881

Paramaribo, September 28, 2012

3. Consolidated Statement of Changes in Shareholder's Equity for the six months ended June 30, 2012

The movement for the six months ended June 30, 2012 consist of the following:

X US$ 1,000	Common stock	General reserve	Appropriated reserve for environmental risk	Appropriated reserve Committee Rehabilitation and Expansion of Sports facilities	Accumulated Net other comprehensive income	Total
Balance as of January 1	12,104	618,393	6,000	2,931	(27,825)	611,603
Equity movements:						
Transfer from earnings	-	150,439	-	-	-	150,439
Prepaid pension benefits	-	1,071	-	-	-	1,071
Allocation / (Withdrawal)[1)]	-	(400)	250	(211)	4,593	4,232
Balance as at June 30	12,104	769,503	6,250	2,720	(23,232)	**767,345**

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

- General reserve: (US$ 400,158)
  Adjustment profit sharing 2010: (US$ 230,707)
  Reversal of previous year charges: (US$ 169,451)

- Appropriated reserve for Environmental risk:US$ 250,000
  Annually, an amount of US$ 500,000 is allocated for environmental risks. As at June 30, 2012, the appropriated reserve for environmental risk amounted to US$ 6.25 million.

- Appropriated reserve Committee Rehabilitation and Expansion of Sports facilities: (US$ 211,000)

- Accumulated net other Comprehensive Income: US$ 4,593,000
  See table 4 on the next page for the breakdown of this amount.

4. Consolidated Statement of Other Comprehensive Income, for the six months ended June 30, 2012

x US$ 1,000

	As at June 30, 2012	As at Dec 31, 2011
Balance as at January 1	27,825	6,248
The movements for the six months ended June 30, 2012		
Pensions and other postretirement benefits plans	(1,053)	20,578
Cash flow foreign currency hedge	(4,571)	12,956
Unrealized gains and losses short term investments	(1,553)	179
Tax effects of items related to other comprehensive income	2,584	(12,136)
Balance as at June 30	23,232	27,825

x US$ 1,000

Tax effects related to other comprehensive income, for the six months ended June 30, 2012	**Before Tax amount**	**Tax Expense**	**Net of Tax amount**
Pensions and other postretirement benefits plans	(1,053)	379	(674)
Cash flow foreign currency hedge	(4,571)	1,646	(2,925)
Unrealized gains and losses short term investments	(1,553)	559	(994)
Other comprehensive income	(7,177)	2,584	(4,593)

5. Consolidated Cash Flow Statement for the Six Months Ended June 30, 2012

x US$ 1,000	**Jan - Jun 30, 2012**	Jan - Jun 30, 2011
Cash flow from operating activities		
Net earnings	**151,760**	126,881
Depreciation	19,950	16,555
Accretion on discounted provisions	2,437	2,222
Amortization of debt arrangement fees	383	1,452
Exploration expenses of dry holes	377	-
Provisions	4,549	7,747
Interest on short term investments	(1,347)	(1,707)
Accrued interest	(769)	(794)
Deferred taxes	7,490	7,002
Foreign exchange (gain)/loss	3,769	4,971
Minority interest	4	(18)
Operating profit before working capital changes	**188,603**	164,311
Working capital changes (Operating assets)		
Accounts receivable	(11,695)	(72,297)
Inventories	1,722	4,607
Accounts payable	(9,653)	2,488
Bank overdraft	800	160
Accrued liabilities	20,502	56,536
Income and other taxes	8,080	(9,536)
Pension plan	(1,074)	(1,555)
Provision for pensions and other post retirement benefits	(75)	(193)
Net cash flow from operating activities	**197,210**	144,521
Cash generated from investing activities		
Proceeds from sale of property, plant and equipment	-	1,778
Investment in property, plant and equipment	(205,745)	(76,029)
Net cash flow from investing activities	**(205,745)**	(74,251)
Cash generated from financing activities:		
Term loan	(11,818)	31,800
FCIB long/ medium term loan facility	(472)	-
Distribution of earnings, excl. addition to general reserve	(1,281)	(311)
Distribution of earnings	(32,905)	(48,249)
Net cash flow from financing activities	**(46,476)**	(16,760)
Effects of exchange rate changes on foreign cash balances	(3,795)	(4,556)
Net increase (decrease) in cash and cash equivalents	**(58,806)**	48,954
Cash and cash equivalents at beginning of period	**496,788**	298,242
Cash and cash equivalents at the end of period	**437,982**	347,196
Interest paid	9,446	4,847
Income tax paid	81,450	73,733

VI. Notes to the Consolidated Interim Financial Statements

General Information

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

Staatsolie has two (2) wholly owned subsidiaries, Paradise Oil Company N.V. (POC) and Suritex N.V. incorporated in the Republic of Suriname. Furthermore, Staatsolie has a majority interest of 98.4% in Ventrin Petroleum Company Limited. Ventrin is a bunkering company incorporated in the Republic of Trinidad and Tobago. As of April 16, 2012 Staatsolie is the main shareholder of the Staatsolie Power Company Suriname N.V. (SPCS) and the local electricity company EBS N.V. holds one share.

1. Summary of Accounting Policies

Principles of consolidation

The consolidated interim financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (US GAAP) for the oil and gas industries in particular.
The financial data of Staatsolie and its subsidiaries are consolidated under elimination of intercompany balances, sales and purchases. Minority interests are presented separately in the consolidated interim financial statement. These interim financial statements do not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2011.

Currency translation

The US dollar is the reporting currency. Foreign currency transactions as well as Surinamese dollar (SRD) transactions are translated at applicable buying rates derived from exchange rates published by the 'Centrale Bank van Suriname'. At the end of the fiscal reporting period, monetary items in foreign currency are translated into US dollars at the applicable period end exchange rate. The period- end exchange rate for the Surinamese dollar, the Euro and the TT dollars for the period under review was US$ 1 = SRD 3.25, US$ 1 = Euro 0.82 and US$ 1= TT 6.42.

Exploration and production development

Staatsolie utilizes the successful efforts method to account for expenditures incurred on exploration and production. On this basis, exploration costs incurred (drilling costs and material fixed assets) are initially capitalized, pending outcome of the technical findings of the exploration effort. If the drilling operation is not commercially successful, the capitalized costs are charged in full to the expense account after deduction of any residual value. All other exploration costs, including geological and geophysical expenses, are charged to the expense account as incurred.

Capitalized costs relating to investments in the oil field, including productive land properties, are depreciated based on the Unit of Production Method (UPM). The UPM factor is derived from the year oil production and the related proven developed oil reserves.

Financial instruments and hedge activities

Staatsolie uses derivative financial instruments to mitigate the risk of unfavorable exchange rate movements on its foreign currency denominated expenses.
These derivative financial instruments used as well as the risk being hedged are accounted for using cash flow hedge accounting. Under this model, the gains and losses associated with the derivative instruments are deferred and recorded in "Accumulated other comprehensive income" until such time as the hedged transaction impacts earnings, with the exception of any hedge ineffectiveness, which is recorded directly in the statements of income.

Short term investments

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

The unrealized gains and losses on short term investments, after deduction of deferred income taxes, are recorded under the shareholder's equity. US GAAP requires that the net unrealized gains and losses on short term investments are recorded in the shareholder's equity as part of the accumulated net other comprehensive income.

Accounts receivable

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

Inventories

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

Drilling supplies and other materials are recorded at the weighted average cost price or lower market value. The cost price consists of the purchase price plus a surcharge for import and transportation costs.

If necessary, a provision for obsolete inventory is taken into consideration and deducted from the inventory. Ordered goods have been recorded at purchase value and only the goods that are in transit at balance sheet date are recorded on the balance sheet.

Debt arrangement fees

The term loan and the bonds are recorded at historical cost. US GAAP requires that financing fees which consist of the commitment fees, upfront fees and consultancy costs should be capitalized and amortized as expense over the duration of the loan. The loans are presented net of the capitalized financing fees.

Equity investments

Equity investments are accounted for using the equity method.

Pension plan

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

Goodwill

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

Property, plant and equipment

Oil properties

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

Refinery, power plant and other fixed assets

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

Impairment of property, plant and equipment

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

Current liabilities

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

Long term debt

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

Deferred income taxes

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

Provision for dismantlement and abandonment

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

Annually, a portion of the expected costs of dismantlement and abandonment is expensed. The allocation of the cost for related production facilities, for example production fields, is based on the unit of production method. The allocation of the costs for the other tangible fixed assets is based on the straightline method. The period for allocation is based on the expected moment of dismantling.

Provision for pensions and other post retirement benefits

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

Provision for Environmental risk

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

Revenues

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

The difference between the opening and closing inventory balance of finished products for sale as well as for internal use is recorded as 'Inventory variation'.
Profits are taken into consideration at the moment they are realized; losses are taken into consideration in the year in which they are foreseen.

Expenditures

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

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

Asset Retirement obligations

US GAAP demands that the accretion expense resulting from the change in the passage of time in the asset retirement obligation (ARO) should be recorded as period cost in the income statement under the operating expenses.

Income tax

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

2. Accounting Standards and Interpretations

The consolidated interim financial statements are prepared in accordance with United States Generally Accepted Principles (US GAAP) for oil and gas industries in particular. The new standards/amendments of 2012 are not applicable, or where applicable the adoption of the standards did not have a material impact on the Company's financial statements..

3. Accounts receivable

	As at June 30, 2012	As at Dec 31, 2011
Accounts receivable in foreign currency (net)	71,540	46,744
Accounts receivable in Surinamese dollars (net)	920	4,816
	72,460	51,560

4. Deferred income taxes

Movements in 2012 for the six months ended June 30, 2012 in the deferred income taxes were as follows:

	As at June 30, 2012	As at Dec 31, 2012
Balance as at beginning of period	64,497	62,869
Movement due to:		
Difference between commercial and fiscal calculation of profit	7,490	14,003
Unrealized losses on inventory subsidiaries	(558)	(239)
Unrealized financial gains/losses from investment in pension plan and post retirement benefits	379	(7,408)
Unrealized financial gains/losses from hedge	1,646	(4,664)
Unrealized financial gains/losses from shortterm investments	-	(64)
Unrealized financial gains/losses from powisie certificates	93	-
Deferred Tax on shares	466	-
Balance as at June 30	**74,013**	64,497

5. Provision for pensions and other post retirement benefits

	As at June 30, 2012	As at Dec 31, 2011
Unfunded accrued pension benefits, insured pension plan	867	825
Unfunded accrued pension benefits, health care plan	15,297	15,539
	16,164	16,364

6. Provision for pension plan

The provision for pension plan to the amount of US$ 25,266,127 includes an amount of US$ 179,613 for Suritex N.V. and US$ 25,086,514 regarding the accrued pension cost related to the pension plan for Staatsolie employees, which is managed by the 'Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.'.

Pensions and other post retirement benefits

Staatsolie maintains 3 plans with regard to pensions and post retirement benefits:

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

	Pension benefits	
Jan-June	**2012**	2011
Employer's contribution	(1,827)	-
Employee's contribution	(611)	(550)

	Pension benefits		Insured pension benefits		Post-retirement health care	
Jan-June	**2012**	2011	**2012**	2011	**2012**	2011
Service costs	(2,474)	(1,794)	(26)	(23)	(640)	(426)
Interest costs	(1,651)	(1,570)	(16)	(26)	(397)	(364)
Return on assets	1,996	1,607	-	-	151	140
Unrecognized transition costs	(11)	(11)	-	(29)	(60)	(60)
Unrecognized prior service costs	(88)	(88)	-	(18)	-	-
Unrecognized gains/losses	(670)	(226)	-	(7)	(224)	(110)
Net pension costs	**(2,898)**	(2,082)	**(42)**	(103)	**(1,170)**	(820)

7. Off- balance commitments and contingencies

As at June 30, 2012 the off-balance commitments and contingencies consist of the following:

	2012	**2013 - 2017 June**	**Total**
Long- term sales contracts	189,878	1,176,963	1,366,841
Long- term refinery expansion contract	190,779	133,336	324,115
Operational lease	6,003	44,942	50,945
Claims	2,102	-	2,102
Study grants	186	1,014	1,200
	388,948	1,356,255	1,745,203

8. Net revenues per product

	Jan-Jun 2012		Jan-Jun 2011	
	x 1,000 Bbls		x 1,000 Bbls	
Local refined products	2,942	323,506	2,815	283,760
Intra company sales	(374)	(41,299)	(102)	(10,841)
Local refined products (net)	2,568	282,207	2,713	272,919
Trading activities	1,344	216,483	623	69,829
Electric energy *)		8,387		847
Total gross revenues	3,912	507,077	3,336	343,595
Net revenue local refined products after deduction of direct sales costs, including electric energy		496,852		331,885
Other sales related revenue				
- inventory change oil stock		3,338		2,895
- other revenues		2,240		265
Net sales revenue	**3,912**	**502,430**	3,336	335,045

*) The generated electric energy as at June 2012 is 61,626,360 kWh. (2011: 8,107,612 kWh). The reported revenues include damages amounts charged according to the Power Purchase Agreement.

9. Income tax charge

The income tax comprises of:	**Jan-June, 2012**	Jan-Dec, 2011
Current tax expense or benefit	(78,367)	(137,957)
Deferred tax expenses or benefit	(7,490)	(14,003)
	(85,857)	(151,960)

Reconciliation statutory with effective tax rate	**Jan-June, 2012**	Jan-Dec, 2011
Suriname statutory income tax rate	36%	36%
Effect of unrecognized credits	-	1%
Effective tax rate	36%	37%

Ventrin has accumulated tax losses of approximately US$ 15,9 million (2011: US$ 16,0 million) available for offset against future taxable profits, These losses have no expiry date in Trinidad and Tobago.

VII. Other information

1. Distribution of earnings

Articles of association

Distributions of earnings takes place in accordance with Article 28 of the articles of association, which stipulates that net earnings reflected in the balance sheet and income statement, adopted by the Annual General Meeting, is placed at the disposal of the General Meeting of Shareholders.

First half year 2012

As of June 30, 2012, after deduction of the prepaid pension benefits amounting to US$ 1,071,000, and allocation to the reserve for environmental risk of US$ 250,000, a net profit was realized of US$ 152 million.

2. Adoption of Financial Statements of the preceding Fiscal Year

The 2011 Financial Statements were adopted at the General Meeting of Shareholders held om May 11, 2012 and included Management's proposal for the appropriation of the 2011 profit.

3. Subsequent events after balance sheet date

Staatsolie agreed to purchase the remaining shares of Ventrin Petroleum Company Limited.

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