Annual Report 2012

STAATSOLIE

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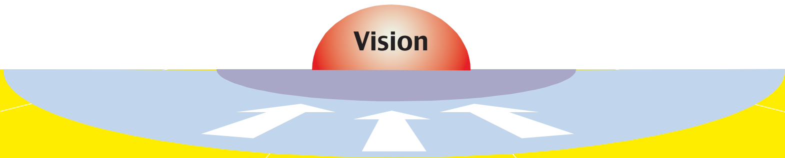
Confidence in Our Own Abilities

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

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.

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

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

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

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

STAATSOLIE

Contents

Shareholder, Supervisory Board, Board of Executive Directors and Management as of December 31, 2012

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.	Managing Director
Sairras G.	Production & Development Director
Poerschke I.	Finance Director

Deputy Directors

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

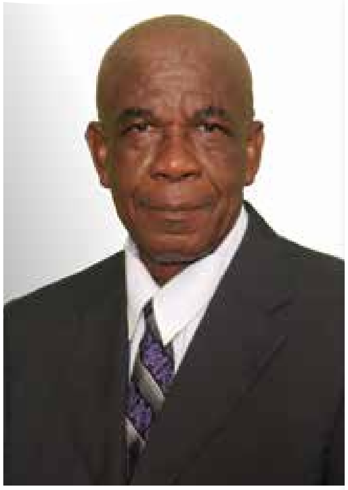
Managers assigned

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

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

Supervisory Board

E. Boerenveen
Chairman



S. Marica
Member

G. Asadang
Member

R. Graanoogst
Member

Transportation of the hydrocracker, a unit for the refinery, from the Port of Paramaribo to the REP construction site.

A. Hilversum
Member

F. Kasantaroeno
Member

E. Poetisi
Member

E. Jozefzoon
Secretary

Letter of the Managing Director

I am proud to announce that Staatsolie reached the status of a 'One Billion Dollar Company' in 2012 with a record breaking consolidated gross revenue of US$ 1,047 million. The profit before tax amounted to US$ 479 million and contributions to the government budget – tax obligations and dividends – were US$ 352 million, 22% higher than 2011 contributions. The consolidated turnover included the results of our subsidiaries Suritex N.V. and Ventrin Petroleum Company Limited. The factors which contributed to this turnover were increased trading volumes of Staatsolie and the subsidiaries Suritex and Ventrin, the realized high oil prices for our products and our continuous efforts to control costs.

We executed various improvements in our operations and the overall environment in 2012, however, we still need to improve both our own and our contractors' safety performance. We registered 15 lost-time incidents (LTI's) in 2012, while the annual target was zero. Review has shown that human error and failure to follow safety regulations were the main causes. Our firm plan is to take various measures to reduce the number of LTI's in 2013, including implementation of the Contractor Management Guidelines and safety training for both employees and contractors.

In 2012 we made good progress in meeting our strategic objectives. Following highlights our important achievements.

Crude production was sustained, with an actual average production of 16,200 barrels oil per day in 2012. To sustain and eventually increase the crude production it is essential to find additional reserves. In the plan period 2008 - 2012 the focus was on exploring the various onshore areas; a substantial part of the coastal area was explored by means of exploratory drilling and seismic surveys. These efforts were successful in the Uitkijk and Weg naar Zee blocks; the resources are being matured which will eventually lead to the addition of approximately 5 million barrels (MMBLS) to our reserves.
We continued to expand our exploration focus, adding the near shore area to our exploration program, where seismic surveys were carried out. Moreover, preparations started for exploratory drilling in near shore block 4 for execution in 2013.
Staatsolie signed one Production Sharing Contract in the offshore area, bringing the total number of offshore contracts to six at year end 2012. Another offshore contract is on schedule to be signed in the second quarter of 2013. Between 2014 and 2017 a minimum of six exploration wells will be drilled offshore by our partners. Expectations are high based on a discovery made in French Guyana and previous drilling activities offshore Suriname. By launching an international bidding round for four blocks on the Demerara Plateau, we hope to attract more partners to offshore Suriname.

We have made significant progress with the Refinery

Expansion Project (REP). Construction activities in Italy as well as in Suriname started in the reporting year. The fabrication of modules is being executed in Sardinia, Italy, and these will be shipped to Suriname in two shipments between March and June 2013. Onsite civil construction at Tout Lui Faut officially started on February 25, 2012 with the President of Suriname, Desiré Delano Bouterse driving the ceremonial first pile. Civil works are progressing well. Staying on schedule requires an enormous commitment from our staff and we are proud of the progress of the project which is on track for startup in the last quarter of 2014. Two major projects, Sugarcane to Ethanol and TapaJai Hydropower, aimed at diversifying our product portfolio and driving further growth are advancing well. The results of the 12,600 hectare pilot sugarcane cultivation program, which started in 2010, are above expectation and an investment decision to execute this project will be made in the second half of 2013. I can report that field data collection has progressed in the TapaJai Hydropower Project. We were recently notified by the government of Suriname that this project is temporarily put on hold until further notice.

Electrical power has been part of our product portfolio since 2006. In conjunction with our subsidiary, Staatsolie Power Company Suriname, we are preparing to expand the thermal generating capacity from the current 28 MW to 62 MW. Preparations started in 2012 and completion is expected in January 2014.

The implementation strategy for our Vision 2020, set in 2008, consisted of four plateaus. A review made clear that we are well on our way in accomplishing the goals we set for the first plateau 'Foundation for Growth'; while simultaneously starting with the goals from the second plateau 'Transition'. The review resulted in combining the two plateaus into 'Foundation for transition and growth'. In the plan period 2013 - 2016 the focus will be on stepping up exploration, sustaining production and increasing the focus on enhanced oil recovery.

In 2012 we reviewed and rephrased our core values, with the aim to utilize them as a tool to manage our company culture. We now have a set of core values which every employee can identify with and live up to; each value clearly describes behavior we expect from our employees. This enables us to hold one another accountable for adhering to the core values.

In October 2013, I will be retiring after 25 eventful years working in different positions at Staatsolie. As Managing Director for the past eight 8 years, I am honored to have contributed to the company's solid foundation for the future and very proud to have led a dedicated staff aimed at achieving the best for Staatsolie. There are many prospective years ahead and I urge the Staatsolie family to stay committed and focused.

Staatsolie had an exceptional year making noteworthy progress towards our growth agenda. On behalf of the Board of Executive Directors, I extend my appreciation to the Shareholder, Members of the Supervisory Board, employees, customers and contractors.

Thank You!

Paramaribo, April 24, 2013

M.C.H. Waaldijk
Managing Director

Operational Performance 2012 and Work program 2013

Financial Performance

The consolidated gross revenues amounted to US$ 1,047 million, 34% higher than 2011. The average product net sales price was US$ 103.77 per barrel compared to an average net sales price of US$ 100.53 per barrel in 2011, an increase of 3%. The resulting return on equity increased from 46% in 2011 to 55%. The profit before tax increased by 16% and amounted to US$ 479 million compared to US$ 414 million in 2011. Contributions to the government budget of US$ 352 million increased by 22%: US$ 153 million for tax obligations and US$ 199 million as dividend.
Total investment expenditures amounted to US$ 465 million compared to US$ 190 million in 2011.

Institutional Activities

The 2D seismic program on the Demerara Plateau was completed in November 2012 and more than 5,000 km 2D seismic data was interpreted. The area was divided in the blocks 54, 55, 56 and 57 and offered to the industry through an international bidding round which was opened on January 28, 2013 and will close on July 26, 2013.

To accommodate the vast amount of interest in the former block 30S, this area was divided into four blocks (50, 51, 52, and 53). For the blocks 52 and 53 a shortlisted bidding round was held, resulting in block 53 being awarded to Apache and block 52 to Petronas. This led to a Production Sharing Contract (PSC) being signed with Apache on 18 October 2012. The minimum work obligation for phase 1 of the Apache contract will be for three years and will consist of a 3D survey in 2013; the first well will be drilled in 2014. Negotiations with Petronas for a PSC were concluded recently and the contract was signed in April 2013.

A contract was signed in 2013 between Staatsolie and ION Geophysical for the acquisition of approximately 5,000 km 2D seismic which ION will offer to the industry through a multi-client scheme. As part of this contract ION will acquire 1,200 km 2D seismic for Staatsolie in blocks 35, 32 and 46.

In the first half of 2012 Tullow Oil and Kosmos acquired respectively 3,000 km^2 3D seismic data in block 47 and 5,500 km^2 3D seismic data in blocks 42 and 45. Processing of these data sets is expected to be complete in the 3rd quarter of 2013; after that, selection of well locations in these blocks will start.

Teikoku informed Staatsolie of their decision to enter into phase 3 of the exploration period of block 31. At the start of phase 3, Teikoku had to relinquish 35% of the initial contract area; the well commitment for this phase being at least one exploration well.

Commercial Activities

Upstream

Exploration

One of the strategic goals for the period 2008 - 2012 was to increase hydrocarbon reserves. The programs to reach these goals consist of exploration activities and reservoir studies.

In October 2012 the Exploration Division commenced with the 1,500 km High Resolution 2D River Seismic project. Due to bad weather the project was halted after 274 km of data was acquired. Continuation of this project is being evaluated and the available data is currently being processed by Fugro – Kelman.

In the Weg naar Zee area four swamp wells and seven land wells were drilled. One swamp well was tested and in total nine wells had oil indications or oil bearing sands. The resource calculation of Weg naar Zee Central was completed with an estimated Stock Tank Oil Initially in Place (STOIIP) of 11.3 MMBLS. The resource was transferred in December 2012 to Field

16%
Profit before tax
US$ 479 million

34%
Consolidated Gross
revenues US$ 1,047 million

Installation of a cooling system for the new refinery.

Evaluation & Development and is pending finalization of technical issues. Exploration will continue in the remaining Weg naar Zee area.

The tendering process was finalized for the second phase of the 2D seismic program in the Weg naar Zee and Coesewijne areas, and the bids are currently being evaluated.

The geological study in the Nickerie South area was completed and five drillable prospects were identified. In the course of 2013 these prospects will be drilled.

An Environmental Social Impact Study (ESIA) for 2D seismic acquisition was initiated in the near shore blocks.

Crude Production

Crude oil production totalled 5.94 MMBLS, slightly lower than the production of 5.99 MMBLS in 2011.
Due to a delay in the availability of drilling rigs, only 51 of the projected 96 producers were taken into production in the Tambaredjo North West (TNW) field and eight wells were taken into production in the Tambaredjo field, bringing the total of wells in production to 1,474. Production at the end of December 2012 was approximately 16,200 barrels oil per day (BOPD).

Crude reserves and reservoir studies

The STOIIP calculation method was reviewed by Ryder Scott Company, L.P. which resulted in the identification of gaps and a road map to implement improvements. In addition, the Staatsolie reserves as at end June 2012 were audited by Gaffney, Clines & Associates and were found to be in line with our estimate. The proven reserves as at December 31, 2012 were estimated at 76.7 MMBLS.
The objective of reservoir studies is to increase the knowledge of the spatial distribution of oil-bearing sands, reservoir properties and reservoir production performance, in order to optimize oil recovery from the Staatsolie fields. To this end several projects were implemented.

A strat test program was carried out with the objective to upgrade the probable reserves to proven reserves and to increase the success rate of the well placement of current and future development drilling programs. In the Tambaredjo field 15 wells were drilled and in the TNW field a six wells program was carried out.

Furthermore, a start was made with the interpretation of the reprocessed 3D seismic data of the Tambaredjo field to define appraisal locations in the northern part of this field.

Enhance Oil Recovery Technologies (EOR)

Activities with regard to EOR projects continued in 2012. The Polymer Flooding pilot project which started in September 2008 is currently being evaluated. Polymer Flooding is one of the EOR methods aimed at increasing the producible reserves. Based on the four year pilot period of polymer injection, 12% incremental oil recovery is achievable with no prohibitive operational issues. The economic feasibility for full-scale implementation was positive. The approval from the Board of Executive Directors to expand the Polymer Flooding Project from 3 to 36 injections, starting in 2013, has resulted into 5.5 MMSTB of additional reserves on top of the current reserves base.
In accordance with the EOR Master Plan for the Tambaredjo field, feasibility studies are being executed to investigate the feasibility of gas injection (carbon dioxide or nitrogen). Based on the results of these studies a pilot proposal will be developed by the end of 2013 to implement another EOR process in the Tambaredjo field.

Downhole Watersink

The evaluation of the pilot project to test the Downhole Watersink technique could not be conducted in 2012 due to completion failure. Currently the process for re-completing the well is in progress.

Development Drilling

Development drilling activities suffered from the lack of available rigs. The swamp rig, Jabez I drilled 44 wells of which 41 were completed to producers and three wells were plugged and abandoned. Staatsolie's rig VII was under repair until September 2012 and seven wells were drilled during the last quarter, of which six were completed to producers. Staatsolie's land rig drilled sixteen wells from January until May of which eight were completed to producers. The rig was then converted to a hybrid type to enable both swamp and land operations; five appraisal wells were drilled in the swamp during November and December of which three were converted to producers. In November and December three rigs were in operation in the swamp for the first time in history in the TNW field.

Engineering and Maintenance Services

Two multiphase boosting pumps were commissioned to transport the production from the TNW oilfield to the TA58 treatment facilities without the need for a collection station. This eliminates the environmental risks of gas emissions in sensitive areas.

Downstream

Refinery

Refinery production was 2.31 MMBLS, 12% lower than 2011. This shortfall was due to an unscheduled shutdown to carry out decoking of the Visbreaker heater and the scheduled shutdown of the refinery for Test and Inspection activities (T&I). The average throughput of the refinery per stream day was 7,231 barrels.

Marketing

Total sales of petroleum products after elimination of intra-company sales amounted to 8.1 MMBLS, an increase of 15% compared to 2011. These volumes include sales from our trading activities. Sales of Staatsolie's products were 5.8 MMBLS, a decrease of 0.7% compared to 2011. Compared to 2011, the total traded volumes of gasoil, gasoline and fuel oil amounted to 3.1 MMBLS, a significant increase of 94%. Imports of petroleum products from PDVSA PETROLEO S.A. (Venezuela) amounted to 0.8 MMBLS.

Refinery Expansion Project

The Refinery Expansion Project (REP) entails the construction of facilities to produce high value end products, primarily Euro Spec diesel and gasoline, from our Saramacca crude for the local market. Engineering, Procurement and Fabrication (EPF) progressed from 21% to 75.2%. The overall Project Schedule has undergone a re-baseline whereby the resulting start-up date is set for September 2014. The detailed design activities are near completion; all major equipment and bulk materials have been procured and the fabrication yard in Sardinia (Italy) has reached 50.8% completion. The construction of the refinery has been awarded to various construction contractors, which are managed by Saipem SA, Italy on behalf of Staatsolie.
Site construction officially started with piling activities in February 2012. The temporary construction facilities were completed and plant roads were constructed. Mechanical works started with the erection of steel structures. By the end of 2012, overall construction progress ran 10% behind the forecast schedule and corrective measures are being implemented.

The safety record shows 720,000 construction man hours worked with one lost time injury. In order to support the construction activities, welding and HSE training programs were executed.
The Pipeline Project entails the construction of three product pipelines from the refining site to the terminal station of the distributors. Bid proposals were received and are under evaluation, with bidding awards planned for early 2013.

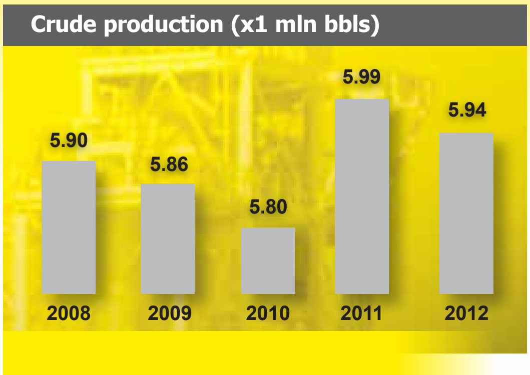
Business Development

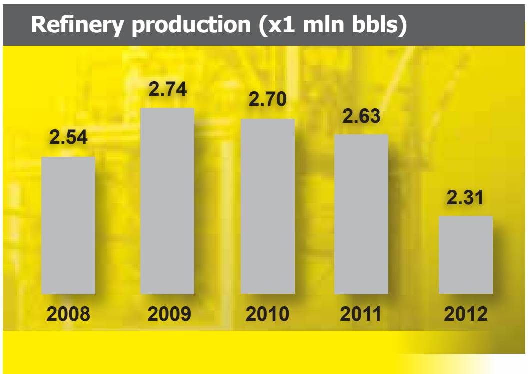
Sugarcane to ethanol

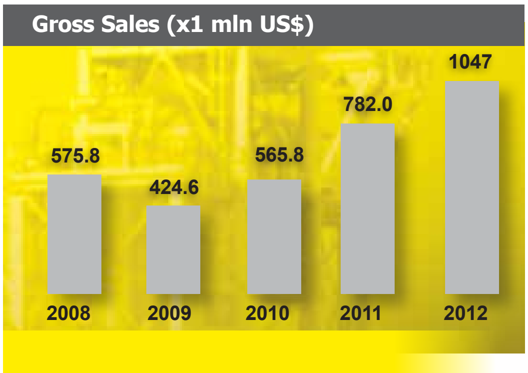
We have finalized the pre-feasibility studies for the Wageningen Sugarcane to Ethanol Project, completing the assessment phase of the sugarcane pilot cultivation project. Based on the pilot results, the average yield for commercial production is estimated at approximately 94 tons per hectare, exceeding the target. A plant configuration has been selected to achieve the optimum percentage of fermentable sugars for ethanol production. Besides ethanol, raw sugar and power for export to the grid will be produced. Ethanol is targeted as an environmentally friendly octane booster for our gasoline and a reducer of Green House Gas emissions. 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 third quarter of 2013.

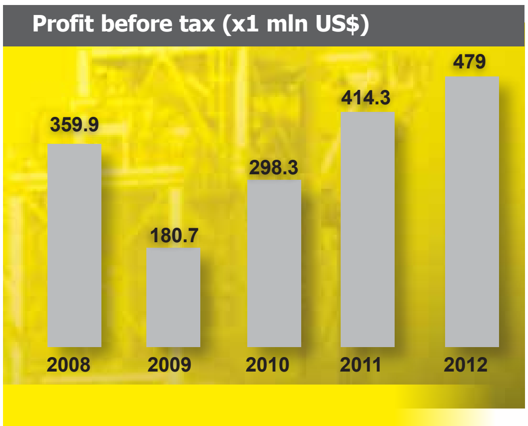
TapaJai Hydropower Project

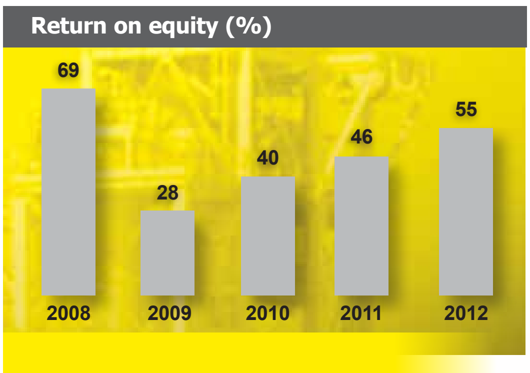
The TapaJai Hydropower project goal is to add 64 MW firm hydropower to the grid by diverting water from the Tapanahoni River into the Brokopondo Lake, utilizing excess generating capacity at the existing Brokopondo hydropower station. In 2012, the stakeholder information and consultation process was halted for several months as a token of respect for the late great Aucaner chief Granman Gazon. The preparations for the technical studies were completed with the execution of a cartographic survey of the project area and the rehabilitation of a 106 km long access road to a future dam site. The technical and environmental studies were scheduled in the first quarter of 2013. Recently Staatsolie was notified that the government of Suriname decided to put this project on hold until further notice.











An aerial view of the REP construction site.


GROVE

Construction of the modules at the Saipem construction site in Sardinia, Italy.

BiosolarCells/AlgaeParc

We have continued our partnership with the international Algae research consortium Biosolarcells/ AlgaeParc. The goal of this project is to bridge the gap between fundamental research on algae and full-scale commercial biofuels, protein and chemicals production. In 2011 and 2012, 100 algae species with high lipid and protein content were identified and tested in indoor photo bioreactors. Based on these tests, the ten best performers have been selected for outdoor testing in four different bioreactors. These outdoor tests commenced in 2012 with the aim to identify the best system to cultivate selected strings at lowest cost possible.

Corporate Services

Health and Safety

In February, we reached twelve consecutive months without a lost-time incident and in May we were on track of achieving a new milestone of two million man hours without a lost-time incident, when unfortunately a lost time injury was recorded. A total of fifteen lost-time incidents were reported, four within Staatsolie and eleven at our contractors, compared to five in 2011. To improve this poor safety performance, preparations were made to further develop our Health Safety Environment (HSE) management system. Extra attention will also be paid to contractor management by Staatsolie assisting in the development of contractors' HSE management systems.

Environment

To meet national and international environmental requirements, environmental and social impact assessments are executed before starting with activities in new areas. In this respect there is very close cooperation with the National Institute for Environment and Development in Suriname (NIMOS).

Quality

We conducted two internal audits, held management review meetings and successfully performed a certification renewal audit. As part of our Quality Management System, several improvements were carried out, eliminating most of the gaps between the respective processes. In September, Staatsolie was ISO 9001:2008 re-certified for another three years.

Community Relations

The Community Relations (CR) Policy was further implemented, focusing on creating awareness for the CR Policy with the various stakeholders. We developed the CR Department which now serves as focal point in the engagement with relevant stakeholders and interested parties thereby structuring and strengthening our relations with stakeholders. The handling and


Construction of a pipeline for the Refinery Expansion Project.

monitoring of complaints and resolving of issues were improved by implementing a complaints management system. Special attention was given to resolving long standing issues. Furthermore, we supported different ESIA processes for projects by facilitating and organizing stakeholders meetings and information sessions.
Staatsolie has shown its social engagement by supporting projects for sport, culture, education, healthcare, senior citizens, people with disabilities and youth. Our donations totaled more than US$ 3.0 million. A great deal of this amount was for the upgrading and renovation of the National Blood Bank facilities. Starting with the laboratory, the first phase was completed. We supported several projects through the 'Committee Rehabilitation and Expansion of Sportfacilities' which granted a total amount of US$ 0.5 million to projects. Additionally we supported sustainable community projects through the 'Staatsolie Foundation for Community Development', founded in 2009. A total of US$ 1.2 million was granted to projects related to education, health, safety and environment.

Procurement

In the second quarter a complete physical inventory of all stocks was conducted company-wide; this was to further improve inventory control of the upstream and downstream operations. To further optimize the effectiveness and efficiency of the purchasing process in the USA, we successfully implemented remote access to the business application "InforEAM" of Procurement for our purchasing agents in the third quarter.
We completed the implementation of the Contractor Management Guidelines (CMG) for the contractors of the Exploration and Production Drilling process and held sessions with process owners of the upstream operations to start implementing the CMG for all other contractors.

Information & Communication Technology

The ICT division either conducted or supported several projects for upstream, downstream and corporate services.
For better control of the Staatsolie operating budget a budgeting application tool was developed in house and implemented in collaboration with Management Information. We implemented the Meridian Electronic Document Management System to facilitate effective document management for Business Development projects.
In the downstream, support was given to Marketing & Sales and Refinery Operations with the installation of additional modules on their existing Sales & Invoice application and Refinery Mechanical Integrity Inspection system.
As part of the project to select and implement an Enterprise Resource Planning (ERP) application, a

Value Engineering assessment was executed. Staatsolie is currently preparing the business case and blue print in order to finalize the selection process by mid-2013 and will further decide on the next steps in the implementation of the selected ERP application, Several applications were migrated to a newer version of which the migration of all Windows XP systems to Windows 7 was the most extensive. This project will continue in 2013.
In addition to the project related activities ICT performed Application and Functional maintenance on around 80 applications. Of the incidents received by the ICT service desk, 99.6% were closed within the target date.

Human Resources Management
As part of the Performance Management roll out, for the first time personal performance contracts were developed at the managerial and departmental head levels, tying into the yearly management cycle of goal setting at each of the organizational levels in the context of Vision 2020.
We completed an internal analysis within the Strategic Workforce Planning Project. We further developed the Career and Succession Development & Planning project and made a start on the Succession Plan for top management positions.
Staatsolie's Organizational Structure project continued with the development of organizational design principles and requirements to be used in the next phase of the project.
A round of discussions was held among managers to update our Vision 2020 Implementation Strategy. The outcome of the discussions will be presented in a document in the second quarter of 2013.

Controlling
The process to strengthen the Corporate Governance Structure continued and in October 2012 an Enterprise Risk Management (ERM) policy was approved by the Board of Executive Directors. In March 2013 the ERM procedure and implementation plan were also approved. By implementing this system, Staatsolie will be able to manage the risks associated with its operational activities according to a standardized methodology and can obtain reasonable assurance regarding the achievement of the objectives related to Vision 2020.


A construction worker at the REP construction site.

Subsidiaries

Suritex N.V.
In 2012 gross revenues amounted to US$ 232 million, increasing total market share to 31%.

Execution of the Risk Based Corrective Action (RBCA) study started in the 3rd quarter of 2012. Three stations were assessed and the Terms of Reference (TOR) for the bidding of the other stations and terminals has been finalized. Findings may affect the timetable for the technical upgrade and rebranding of most of the retail stations.

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 (black) gold.

For 2013 the focus will be on the continuation of the RBCA project, finalizing the rebranding of SURITEX as a company and further increasing the average monthly sales volume of 2012 with 11%.

The rebranding, execution of the RBCA, product differentiation and other activities put enormous pressure on the organization and its staff.
With the new identity of the company, the organization needs to be geared to “walk the talk”. This will be achieved by Internal rebranding of Suritex, an operation which will start in the latter half of 2013.

Paradise Oil Company N.V. (POC)
POC started their second drilling and appraisal program of five wells in the Uitkijk block; So far seven wells in total have been tested. Based on these test results the geological concept of the T-unit was changed and three more appraisal wells were drilled with a very successful outcome. The best estimate at that time for the T-unit contingent resources was 3 MMBLS, however an additional drilling program planned for the first half 2013 will confirm this data.

In the Coronie block, the four remaining wells of the five-well exploration program were drilled; of the five wells, three had good oil shows in the Cretaceous section. Tullow Oil decided not to proceed into the next phase of the exploration program. POC intends to further investigate the Cretaceous oil shows and to explore for Paleocene oil in the under explored part of the Coronie block.

POC completed the 2D and 3D seismic survey activities in nearshore Block 4 on behalf of Staatsolie. After processing the data drillable prospects will be identified with the objective to drill the first well in Block 4 late 2013.

Staatsolie Power Company Suriname N.V. (SPCS)
SPCS produced 165,700 MWh of electrical energy in 2012, more than twice the historical 80,000 MWh peak production in the year 2010. Plant availability was below normal because of unforeseen outages due to some residual manufacturing defects in two generating sets that were commissioned in 2010. Gross revenues amounted to approximately US$ 23 million, three times higher than the previous year.

As per January 1 the SPCS sales price for electrical energy has been adjusted from US$ 125/MWh to US$ 138/MWh. The price adjustment resulted from application of the fuel clause in the Power Purchase Agreement (PPA) with the N.V. EBS.

To keep pace with demand growth, Staatsolie was requested by the Government of Suriname to expand the SPCS power station from 28MW to 62MW. To this extend Staatsolie signed an Engineering Procurement and Construction (EPC) contract in August. The additional capacity is scheduled to be commissioned by January 2014. Electrical Energy to be generated from the plant expansion as well as energy generated from the existing plant will be sold under a PPA to be signed with the Government of Suriname in the first quarter of 2013.

Ventrin Petroleum Company Limited
A series of measures were taken to establish profitable operations in 2012. These measures included strengthening of the organization, better balancing of margins and volumes, reorganization of loan repayments, more attention for sourcing logistics and implementation of cost reduction activities. At the same time better appreciation of Staatsolie's low sulphur crude took effect, supported by stricter environmental regulations in the USA and Canada, enabling Ventrin to charge higher prices. The stabilization of cash flow enabled Ventrin to focus on improving standards. This included the construction of a bundwall for the tanks and initiation of repairs of the onshore pipelines. Net income amounted to US$ 1.1 million compared to a loss of US$ 2.0 million in 2011.

Work Program 2013

The focus in 2013 will be on:

- The continuation of the accelerated exploration program by drilling and performing seismic and other geological studies onshore, nearshore and offshore;
- Sustaining an average crude production of 16,000 BOPD and the execution of EOR projects and studies;
- The continuation of the Refinery Expansion Program including Operational Readiness activities and the preparatory projects to interconnect the new refinery;
- The finalization of the Ethanol Definition Studies and the start of EPC activities;
- The execution of the Solution and Definition studies of the TapaJai Hydropower Project;
- Expansion of the total capacity of the Staatsolie Power Company Suriname to 62 MW;
- Further alignment and strengthening of the organization i.e. professionalization of the Corporate Services, Human Resource Management and start implementation of an Enterprise Resource Planning (ERP) platform;
- Review of the Finance function and Overhead value analyses.

Construction of storage tanks for refined products.

Budget 2013

To realize the 2013 work program an amount of US$ 98.1 million has been allocated for operating expenditure whilst for capital expenditure the amount allocated is US$ 422.9 million, including expensed projects of US$ 57.5 million. On the revenue side Staatsolie is expected to generate a net revenue of US$ 726.4 million and a net profit of US$ 228.5 million assuming the reference crude oil price is US$ 88.29 per barrel. Two price sensitivity cases are included in the price assumption of plus or minus 10% relative to the base case price assumption of US$ 88.29 per barrel, which will show the effect on the Operating Result and Cash flow.

This budget sets out the objectives for the planning period 2013 and includes the financial resources needed to enable achievement of these objectives.

Upstream

The upstream investments are mainly focused on the execution of the exploration program 2013 and the crude production sustaining and optimization program.

The exploration program consists of twenty six exploration and appraisal wells of which five wells will be drilled in Nickerie, six in Coesewijne, eleven in Weg naar Zee and four in Tambaredjo. In addition, 100 km of 2D seismic data will be acquired in Weg naar Zee and Coesewijne.

In order to achieve the strategic goal to sustain a production level of 16,000 BOPD, the Production Sustaining Program primarily focuses on further development of the TNW field. The objective of the Development Drilling Program 2013 is to drill one hundred and eighty eight wells of which thirty appraisal wells in Tambaredjo, twenty seven strattest wells in TNW, twenty five plugged and abandoned wells, three suspended wells and one hundred and three wells will be completed as oil producers. The Development Drilling Program will be carried out with four rigs. An annual production of 5.91 MMSTB is forecasted.

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

Downstream

The downstream investments are mainly focused on the continuation of the EPF phase of the Refinery Expansion Project, upgrading and expansion of crude storage facilities and preparations to interconnect with the new refinery.

In 2013 detailed engineering for the Refinery Expansion Project will continue; the main equipment and all twenty four modules will be placed on their foundations. Additionally, the various pipes, cables, instrumentation and insulation installation and civil work will be completed. Special focus will also be on the laboratory outsourcing project.

The estimated throughput target for 2013 is 2.57 MMBLS and the refinery availability is 95.9%. Decoking of the Visbreaker heater is planned in the 3rd Quarter.

There are several major capital projects planned for 2013: these are the continuation of tank repairs and pipelines inspection programs; improvements to the inspection and reliability of equipment; construction of three new crude tanks; replacement of the fuel oil loading arm at the Jetty; replacement of heat exchanger bundles and procurement of two years of operating spares for equipment of the new refinery.

The SPCS power plant capacity will be expanded by 34 MW to a total capacity of 62 MW.

Institutional

For 2013 the focus will be on: (i) processing and mapping of the seismic data that was acquired for Suriname to be able to submit its claim to extend the outer limit of its continental shelf up to 350 nautical miles, (ii) acquisition and processing of a small 2D seismic survey in blocks 35, 32 and 46, (iii) successful execution of Suriname's 5th International Bidding Round, (iv) technical and financial monitoring of the block 31, 53, 42, 45, 47 and 48 as well as the onshore blocks Uitkijk and Coronie, (v) and keeping the National Petroleum Database fully operational. It has been noted that in 2013 Murphy Oil (block 48) and Kosmos (block 42) are preparing to acquire at least 4,000 km 2D seismic and Apache is preparing for acquisition of 2,100 km2 seismic in 2013 in block 53. All companies that have commitments to drill exploration wells between 2014 and 2016 will start the ESIA permitting process in 2013.

Wageningen Sugarcane to Ethanol Project

With regard to the development of the Wageningen Ethanol Project, the focus in 2013 will be on the expansion of the acreage and the basic design of

Arrival of the first ten modules for the new refinery.

acreage and ethanol plant. The EPC phase is also scheduled to commence after approval in 2013.

Renewable Energy Sources

In 2013 the renewable energy department will demonstrate the application of solar energy technology in Suriname through a pilot program. Furthermore the E 15 gasoline test program will continue.

Corporate Services

In view of further professionalization of Corporate Services the following activities are planned:

- Conduct an internal customer satisfaction survey;
- Review and improvement of service delivery of processes and procedures of corporate services;
- Improve service orientation with corporate services, including formalization of service level agreements;
- Decentralize the service delivery of HSE;
- Continue the realignment of the organizational structure with Vision 2020;
- Continue the design and roll out of the Strategic Workforce Planning process;
- Continue the design and roll out of the Career Development and Management Development process, including succession planning and determination of career paths;
- Continue the design and start of a Leadership Development Program;
- Continue the implementation of the new HRM Division structure;
- Function analysis with determination of the basic competences with associated behavioral indicators;
- Continue with the implementation of an integrated HSE Management System Program within the framework of ISO 14001 and OHSAS 18000 (SIGAS&SI);
- Secure additional financing for the investment program 2013 - 2016;
- Formalize the Corporate Governance Code and start implementation of the Enterprise Risk Management system;
- Relocation of the ICT Flora Data Center and office;
- Phase 1 of the implementation of the ERP application including Marketing & Sales;
- Strengthen the Procurement Division to increase the service level.

Management's Analysis of Operations and Financial Condition

1. Risk and Uncertainties

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

Risks related to our business

1. Market risk

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

2. Operational risks

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

3. Financial risks

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

4. Political and economic risks

- Political and economic policies of the Surinamese government may have an impact on our business through e.g. tax and environmental laws and regulations.
- The Surinamese government is the sole shareholder of Staatsolie and they may cause us to pursue certain macroeconomic and social objectives which may affect our results and financial condition. Access to the international capital market may be influenced by the country risks grade which may have impact on our ability to finance our operations.

5. Reputation risk

- Failure to meet our ethical standards could harm our reputation and our business: With our Code of Conduct, which applies to all employees and others who act on our behalf, we wish to firmly establish the specific values of integrity and community spirit. Implementation of an Enterprise Risks Management system is planned for the coming plan period.

2. Critical Accounting Policies

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

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

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

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

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

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

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

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

Proved reserves can be further subdivided into developed and undeveloped reserves. The proved developed reserves were 75 percent of total proved reserves at year end 2012, and have been over 50 percent for the last five (5) years. This indicates that proved reserves are consistently moved from undeveloped to

developed status, as new wells are drilled and facilities to collect and deliver the production from those wells are installed.

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

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

In October and November 2012 a 2D River Seismic Survey was conducted.

Impact of Oil Reserves on Depreciation

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

Suspended Exploratory Well Costs

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

Dismantlement and Abandonment Obligation

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

The current refinery visible in the background.

Pensions and Other Post Retirement Benefits

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

Litigation Contingencies

Claims have been made against Staatsolie in 4 pending lawsuits as at December 31, 2012. Management has regular litigation reviews, including updates from corporate and outside counsel, to assess the need for accounting recognition or disclosure of these contingencies.

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

Tax Contingencies

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

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

GO2 is chosen as the new name for the Suritex service stations. From left: A. Nai Chung Tong, Suritex Acting Director, G. Kranenburg, winner of the naming campaign, and A. Moensi-Sokowikromo, Chair of the Suritex Supervisory Board.

A program for testing E15 gasoline was launched in November 2012.

Independent Auditor's Report

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

Report on the financial statements

We have audited the accompanying financial statements 2012 of Staatsolie Maatschappij Suriname N.V.,Paramaribo, which comprise the consolidated and company balance sheet as at December 31, 2012, the consolidated and company income statement, the consolidated statement of changes in shareholder's equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Staatsolie Maatschappij Suriname N.V. as at December 31, 2012 and of its result and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Paramaribo, April 24, 2013
Lutchman & Co. Accountants

Drs. M.R.A. Lutchman RA (Chartered Accountant)

Consolidated Financial Statements 2012

Consolidated Financial Statements

1 | Consolidated Balance Sheet as at December 31, 2012 (after distribution of earnings)

x US$ 1,000

Assets	Notes	2012	2011
Current assets			
Cash and cash equivalents	4	224,755	496,788
Short-term investments	5	35,938	30,650
Accounts receivable	6	108,542	51,560
Inventories	7	29,281	22,379
Prepaid expenses and other current assets	8	47,494	42,473
		446,010	643,850
Loan	9	2,237	2,125
Investments	10		
Participation in Joint Ventures		8,422	359
		8,422	359
Goodwill	11	5,447	5,447
Property, plant and equipment	12		
Oil properties			
Evaluated properties		214,742	204,423
Pipelines		2,171	2,305
		216,913	206,728
Refinery		17,945	23,215
Power plant		24,827	26,533
Other fixed assets		80,230	76,185
		339,915	332,661
Projects in progress		616,551	209,010
		956,466	541,671
Minority interest	13	-	81
Total assets		**1,418,582**	1,193,533

Paramaribo, April 24, 2013

The Board of Executive Directors:

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

x US$ 1,000

Liabilities	Notes	2012	2011
Current liabilities			
Accounts payable	14	49,067	20,828
Bank overdraft	15	4,398	3,193
Accrued liabilities	16	97,495	56,622
Income and other taxes	17	74,095	35,605
Short-term portion of term loan	18	50,000	37,500
		275,055	153,748
Long term liabilities			
7% Bond	19	55,042	54,999
Term Loan	20	131,740	179,752
FCIB long/medium term loan facility	21	2,930	4,891
		189,712	239,642
Provisions			
Deferred income taxes	22	4,435	64,497
Dismantlement and abandonment	23	88,757	81,248
Pensions & other postretirement benefits	24	11,042	16,364
Pension plan	25	7,318	24,211
Environmental risk	26	2,220	2,220
		113,772	188,540
Shareholder's equity		840,043	611,603
Total shareholder's equity & liabilities		**1,418,582**	1,193,533

Paramaribo, April 24, 2013

The Supervisory Board:

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

2 | Consolidated Income Statement 2012

x US$ 1,000

	Notes	2012	2011
Revenues from			
Production & Refining		537,194	559,115
Trading activities		487,073	215,401
Electric energy		22,529	7,717
Gross revenues		1,046,796	782,233
Inventory variation		9,208	7,934
Other revenues		4,053	1,104
		1,060,057	791,271
Less: export-, transport- and sales costs		(16,439)	(13,046)
Net revenues	30	1,043,618	778,225
Exploration expenses including dry holes		(24,009)	(37,944)
Production expenses		(37,166)	(37,664)
Refinery expenses		(15,873)	(12,080)
Depreciation	31	(40,652)	(37,368)
Accretion expenses		(4,875)	(4,444)
Other operational costs	32	(412,025)	(186,588)
Operating income		509,018	462,137
General and administrative expenses		(27,968)	(26,915)
Expensed projects		(7,355)	(6,457)
Financial expense and income		4,826	(14,452)
Earnings before tax		478,521	414,313
Income tax charge	33	(80,390)	(151,960)
Earnings after tax		398,131	262,353
Minority interest		-	32
Net profit		**398,131**	262,385

Paramaribo, April 24, 2013

The Board of Executive Directors:

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

The Supervisory Board:

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

3 Consolidated Statement of Changes in Shareholder's Equity

In 2012, the shareholder's equity consists of the following:

x US$ 1,000	Common stock	General reserve	Appropriated reserve for environ-mental risk	Appropriated reserve Committee Rehabilitation and Expansion of Sports Facilities	Accumulated net other comprehen-sive income	Total
Balance as at January 1	12,104	618,393	6,000	2,931	(27,825)	611,603
Equity movements:						
Transfer from earnings	-	397,439	-	-	-	397,439
Dividend declared		(199,484)	-	-	-	(199,484)
Prepaid pension benefits	-	(836)	-	-	-	(836)
Allocation /(Withdrawal)[1)]	-	(400)	500	4,525	26,696	31,321
Balance as at December 31	12,104	815,112	6,500	7,456	(1,129)	**840,043**

[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 risks US$ 500,000:
  Annually, an amount of US$ 500,000 is allocated for environmental risks. As at December 31, 2012, the appropriated reserve for environmental risks amounted to US$ 6.5 million.

- Appropriated reserve Committee Rehabilitation and Expansion of Sports facilities US$ 4,525,219:
  For the year 2012 an amount of US$ 5,000,000 is allocated to the appropriated reserve.
  Over the year 2012 (US$ 474,781) was withdrawn from the appropriated reserve.

- Accumulated net other Comprehensive Income US$ 26,696,000:
  See paragraph 4 on the next page for the breakdown of this amount.

4 Consolidated Statement of Other Comprehensive Income

x US$ 1,000

	2012	2011
Balance as at January 1	27,825	6,248
Pensions and other postretirement benefits plans	(25,241)	20,578
Cash flow foreign currency hedge	(12,956)	12,956
Unrealized (gains) and losses short-term investments	(3,516)	179
Tax effects of items included in other comprehensive income	15,017	(12,136)
Balance as at December 31	**1,129**	27,825

x US$ 1,000

Tax effects related to other comprehensive income 2012	**Before Tax amount**	**Tax expense**	**Net of Tax amount**
Pensions and other postretirement benefits plans	(25,241)	(9,087)	(16,154)
Cash flow foreign currency hedge	(12,956)	(4,664)	(8,292)
Unrealized (gains) and losses short-term investments	(3,516)	(1,266)	(2,250)
Other comprehensive income	**(41,713)**	**(15,017)**	**(26,696)**

x US$ 1,000

Difference between 2012 company - and consolidated shareholder's equity		
Consolidated shareholder's equity	840,043	
Company shareholder's equity	839,614	
Difference		**429**
Due to the following:		
Dividend and income tax payable correction 2011	6,557	
Reversal of correction dividend payable 2011 reflected in 2012 figures	(1,386)	
Reversal of correction income tax 2011 reflected in 2012 figures	2,485	
Negative net capital value Ventrin	(3,940)	
Negative net capital value POC	(1,200)	
Elimination of POC's net profit from overhead charges Staatsolie	(100)	
Tax adjustment from profit elimination from ending stock Ventrin and SPCS	(548)	
Elimination Staatsolie profit from sales to Ventrin and SPCS	(1,523)	
Minority interest	81	
Total		**429**

5 | Consolidated Cash Flow Statement 2012

x US$ 1,000

	2012	2011
Cash flow from operating activities		
Net earnings	**398,131**	262,385
Depreciation	40,652	37,368
Accretion on discounted provisions	4,875	4,444
Amortization of debt arrangement fees	365	2,904
Exploration expenses of dry holes	1,364	8,975
Provisions	3,406	15,493
Interest on short -term investments	(1,772)	(3,414)
Accrued interest	(41)	527
Deferred taxes	(74,499)	14,003
Foreign exchange (gain)/loss	718	9,941
Minority interest	-	(32)
Operating profit before working capital changes	**373,199**	352,594
Working capital changes (Operating assets)		
Accounts receivable	(178,611)	(78,179)
Inventories	(7,482)	7,332
Accounts payable	28,239	14,971
Bank overdraft	1,205	1,160
Accrued liabilities	45,362	22,117
Income and other taxes	38,490	9,755
Pension plan	(4,989)	(3,109)
Provision for pensions and other postretirement benefits	(207)	(386)
Net cash flow from operating activities	**295,206**	326,255
Cash generated from investing activities		
Proceeds from sale of property, plant and equipment	16	480
Investment in property, plant and equipment	(464,927)	(189,554)
Purchase of subsidiary companies, net of cash	-	(17,778)
Short- term investments	-	43
Net cash flow from investing activities	**(464,911)**	(206,809)
Cash generated from financing activities:		
Term loan	(25,000)	217,592
FCIB long/ medium term loan facility	(1,961)	4,891
Changes in general reserve	4,808	(14,204)
Distribution of earnings	(78,956)	(119,504)
Committee Rehabilitation and Expansion of Sports Facilities	(475)	(564)
Net cash flow from financing activities	**(101,584)**	88,211
Effects of exchange rate changes on foreign cash balances	(744)	(9,111)
Net increase (decrease) in cash and cash equivalents	**(272,033)**	198,546
Cash and cash equivalents at the beginning of the year	**496,788**	298,242
Cash and cash equivalents at the end of the year	**224,755**	496,788
Interest paid	18,133	8,638
Income tax paid	142,699	135,719

Notes to the Consolidated Financial Statements

General Information

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

Staatsolie has four (4) subsidiaries of which three (3) wholly owned: Paradise Oil Company N.V. (POC) and Suritex N.V. incorporated in the Republic of Suriname and Ventrin Petroleum Company Limited, 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), incorporated in the Republic of Suriname, and the local electricity company N.V. EBS holds one share.

1 | Summary of Accounting Policies

Principles of consolidation

The consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (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.

Currency translation

The US dollar is the reporting currency. Foreign currency transactions as well as Surinamese dollar (SRD) transactions are translated at applicable buying rates derived from exchange rates published by the 'Centrale Bank van Suriname'. At the end of the fiscal year, monetary items in foreign currency are translated into US dollars at the applicable year-end exchange rate. The year-end exchange rate for the Surinamese dollar, the Euro and the TT dollars for the year under review was US$ 1 = SRD 3.25, US$ 1 = Euro 0.76 and US$ 1= TT 6.38 .

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 risks of unfavorable exchange rate movements on its foreign currency denominated expenses.
These derivative financial instruments used as well as the risks 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 allows that the net unrealized gains and losses on short- term investments are recorded in the shareholder's equity as part of the accumulated net other comprehensive income.

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.

Participation in Joint Ventures

The participation in Joint Ventures is recorded at cost.

Equity investments

Equity investments are accounted for using the equity method.

Goodwill

To the extent that the cost of acquiring an equity investment exceeds the fair value of the net assets acquired, the excess is recorded as goodwill. 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 and are recorded at their nominal values.

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

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

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

Provision for pensions and other postretirement 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 cost of sales of the trading activities and the cost of 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 financial statements are prepared in accordance with 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 | Accounting and Disclosure Changes

This paragraph gives an overview of the significant accounting and disclosure changes. In accordance with US GAAP, changes have been made in 2012 regarding segment reporting which is disclosed in note 27.

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

4 | Cash and cash equivalents

	2012	2011
Cash at foreign banks	118,035	459,500
Cash at local banks	105,694	36,705
Total bank balance	223,729	496,205
Petty cash	1,026	583
	224,755	496,788

Cash and Cash equivalents include restricted cash of US$ 0.3 million (2011: US$ 55 million) related to the financing agreement with a syndicate of banks to fund Staatsolie's investment program 2008 – 2012. These funds can be utilized after certain disbursement conditions have been met.

5 | Short-term investments

	2012	2011
Powisie Gold certificates	29,330	26,373
Shares	6,608	4,277
	35,938	30,650

Valuation of short-term investments is based on level 1 inputs, being: Quoted prices in active markets for identical assets or liabilities.

6 | Accounts receivable

	2012	2011
Accounts receivable in foreign currency (net)	103,417	46,744
Accounts receivable in Surinamese dollars (net)	5,125	4,816
	108,542	51,560

The accounts receivable include a provision for doubtful accounts of US$ 6,065,319 (2011: US$ 23,210,555).

7 Inventories

	2012	2011
Petroleum products	20,631	15,434
Materials and supplies (net)	6,449	6,275
Ordered goods	2,201	670
	29,281	22,379

Materials and supplies include a provision for obsolete items of US$ 5,050 (2011: US$ 4,115).

8 Prepaid expenses and other current assets

	2012	2011
Prepaid expenses Joint Venture POC/Tullow Oil	11,225	4,647
Prepaid insurance costs	1,428	1,383
Prepaid purchased goods and services	22,556	22,318
Other prepaid expenses	12,285	14,125
	47,494	42,473

9 Loan

The amount of US$ 2,237,040 (2011: US$ 2,124,720) consists of the outstanding loan and interest regarding an 8% long-term loan of US$ 1,404,000 to N.V. Energie Bedrijven Suriname (N.V. EBS) for the Substation at Tout Lui Faut.

10 Investments

Participation in Uitkijk Joint Venture
The participation of POC in the Uitkijk joint venture of 60% increased to 96.5% due to the transfer of 36.5% participation interest of Tullow Oil. The participation of POC in the Uitkijk Block amounts to US$ 5,393,866.

Participation in Coronie Joint Venture
Tullow Oil earned its forty percent (40%) equity in the Coronie Block by the end of November 2012 by paying the farm - in of US$ 4,300,000. The participation of POC in the Coronie Block in December 2012 amounts to US$ 3,027,818.

11 Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the acquisition of a business.
According to accounting standard for goodwill (ASC 350), Staatsolie tested this goodwill for impairment during 2012 and concluded no impairment was necessary.

12 Property, plant and equipment

Movements in 2012 in property, plant and equipment are as follows:

x US$ 1,000	2012								2011
	Wells & equipment	Pipelines	Total oil properties	Refinery	Power plant	Other fixed assets	Projects in progress	Total tangible fixed assets	Total tangible fixed assets
Investments January 1	484,013	17,260	501,273	79,944	35,582	160,544	209,010	**986,353**	781,401
Acquisition current year	-	-	-	-	-	-	-	-	23,207
Disinvestments current year	(45)	-	(45)	-	-	(141)	-	(186)	(1,733)
Capitalized current year [1]	32,879	284	33,163	1,089	49	13,643	407,541	455,485	183,478
Total investments December 31	**516,847**	**17,544**	**534,391**	**81,033**	**35,631**	**174,046**	**616,551**	**1,441,652**	986,353
Total depreciation January 1	(279,590)	(14,955)	(294,545)	(56,729)	(9,049)	(84,359)	-	(444,682)	(392,970)
Depreciation acquisition	-	-	-	-	-	-	-	-	(15,597)
Depreciation disinvestments current year	8	-	8	-	-	140	-	148	1,253
Depreciation reversal icw accretion expense	-	-	-	-	-	-	-	-	249
Depreciation current year	(22,523)	(418)	(22,941)	(6,359)	(1,755)	(9,597)	-	(40,652)	(37,618)
Total depreciation value December 31	**(302,105)**	**(15,373)**	**(317,478)**	**(63,088)**	**(10,804)**	**(93,816)**	**-**	**(485,186)**	(444,682)
Book value as at December 31	**214,742**	**2,171**	**216,913**	**17,945**	**24,827**	**80,230**	**616,551**	**956,466**	541,671

1) In 2012 an amount of US$ 370.0 million (2011: US$ 143.4 million) regarding the Refinery expansion was capitalized under projects in progress. This amount includes the interest costs and financing cost allocated to this project. Capitalized interest in 2012 is US$ 15.4 million from a total interest amount of US$ 18.2 million (2011: US$ 8.1 million of a total interest amount of US$ 12.5 million). Financing cost included is US$ 1.8 million.

Investment in wells and equipment

The 2012 depreciation rate of 0.08 (2011: 0.09) for the Tambaredjo Field, 0.16 for the Calcutta Field (2011: 0.17) and 0.13 (2011: 0.09) for the Tambaredjo North-West Field are based on the Unit of Production Method, which is calculated by using the quotient of the annual production and the proven developed reserve, plus the production in the current fiscal year.

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

Asset retirement obligations

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

	2012	2011
Balance as at January 1	81,248	73,817
Accretion expense	4,875	4,444
Addition subject to depreciation	2,634	2,987
Balance as at December 31	**88,757**	81,248

Wells and equipment

	2012	2011
Wells and equipment	468,068	437,409
Capitalized cost for dismantlement	48,779	46,604
	516,847	484,013
Less: accumulated depreciation	(302,105)	(279,590)
Book value wells and equipment	**214,742**	204,423

Suspended exploratory well costs

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

Change in capitalized suspended exploratory well costs

	2012	2011
Balance as at January 1	3,181	7,713
Additions pending determination of proved reserves	34,916	5,460
Charge to expense	(14,128)	(8,975)
Reclassifications to wells, facilities & equipment based on the determination of proved reserves	-	(1,017)
Balance as at December 31	**23,969**	3,181

Period end capitalized suspended exploratory well costs

	2012	2011
Capitalized for a period of one year or less	20,124	958
Capitalized for a period between one and two years	636	-
Capitalized for a period between two and three years	3,209	2,223
Capitalized for a period greater than one year - subtotal	3,845	2,223
Balance as at December 31	23,969	3,181

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

Breakdown of number of projects with suspended exploratory well cost

	2012	2011
Number of projects with first capitalized well drilled in the preceding 12 months	1	1
Number of projects that have exploratory well costs capitalized for a period greater than 12 months	4	4
Total	5	5

Pipelines

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

Refinery

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

Refinery assets comprise the following:

	2012	2011
Land and land improvement	1,666	1,666
Crude desalting and vacuum unit, visbreaker unit, tankfarm and utilities	57,929	57,507
Distributed control system	1,825	1,825
Crude storage tanks	16,792	16,298
Capitalized cost for dismantlement	2,821	2,648
	81,033	79,944
Less: accumulated depreciation	(63,088)	(56,729)
Total refinery assets	17,945	23,215

Power plant

The power plant assets are depreciated on a straight-line basis. The buildings and production hall are depreciated at respectively 5% and 10%, inventory at 331/3%, tank battery at 20%, powerhouse equipment at 5% to 50%, other units are depreciated at 5% to 20% annually.

Power plant's assets comprise the following:

	2012	2011
Buildings and production hall	3,326	3,299
Steam boilers and metering	1,163	1,148
Yard	300	300
Field equipment	3,532	3,532
Fuel treatment	248	248
Electric installation	1,643	1,643
Inventory	148	148
Powerhouse equipment	23,732	23,727
Tank battery	768	768
Capitalized cost for dismantlement	771	769
	35,631	35,582
Less: accumulated depreciation	(10,804)	(9,049)
Total power plant assets	**24,827**	26,533

Other fixed assets

With the exception of freehold estate, properties outside the production field are being amortized on a straight-line basis, based on the expenditures incurred in acquiring the long lease and on the terms of the lease.
Freehold estates are not depreciated.
The annual depreciation percentage for buildings is 10%, telecommunication equipment 20%, dock TLF 4% and oil tanker 10%. Drilling machinery and heavy equipment are depreciated annually at 20%, transportation equipment at 331/3% and office furniture, fixtures and similar assets at 50%. Where applicable a residual value is taken into consideration.

Other fixed assets comprise the following:

	2012	2011
Properties & Dock TLF	49,708	49,379
Buildings and installations	58,812	52,487
Oil tankers	8,264	7,921
Drilling machinery, heavy equipment and transportation	29,039	24,542
Office furniture, fixtures and tools	28,223	26,215
	174,046	160,544
Less: accumulated depreciation	(93,816)	(84,359)
	80,230	76,185

13 | Minority interest

In 2012 Staatsolie took over the 1.6% minority interest in Ventrin from Entech Limited and recorded the amount at nil at year-end. As of April 16, 2012 Staatsolie is the main shareholder of the Staatsolie Power Company Suriname N.V. (SPCS) and the local electricity company N.V. EBS holds one share, giving them a minority interest in SPCS.

14 | Accounts payable

x US$ 1,000	**2012**	2011
Accounts payable in foreign currencies	45,523	10,154
Accounts payable in Surinamese dollars	3,544	10,674
	49,067	20,828

15 | Bank overdraft

Ventrin has a working capital credit facility from First Caribbean International Bank with a limit of US$ 5 million. Interest is charged on the outstanding balance at a current effective rate of 4.82% - 4.85% per year. Borrowings of Ventrin amounted to US$ 4,397,546.

16 | Accrued liabilities

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

x US$ 1,000	**2012**	2011
Cash dividend	26,712	19,459
Financial instruments (Foreign Currency Exchange) Hedge	-	12,956
Allowances payable to management and personnel	5,873	5,558
Allocation for community development projects	400	600
Payables regarding consultancy and other services	22,680	2,759
Other short-term provisions	4,095	2,197
Sales expenses	24,099	86
Accrued interest	1,512	1,534
Other payables	12,124	11,473
	97,495	56,622

17 | Income and other taxes

x US$ 1,000	**2012**	2011
Income tax	74,147	36,786
Other taxes and social security	(52)	(1,181)
	74,095	35,605

The other taxes and social security of 2012 include receivables of US$ 11,027,277 (2011: US$ 7,279,058) regarding Staatsolie sales taxes and US$ 4,172,922 (2011: US$ 2,861,143) regarding Ventrin value added taxes.

18 | Short-term portion of Term Loan

At the end of the financial year 2012, the four installments totalling US$ 50 million regarding the term loan, which are due within one year, are recorded as short-term debt. The remaining balance of US$ 131.7 million is recorded as long - term debt.

19 | 7% Bond

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

20 | Term Loan

Staatsolie has a secured long-term loan agreement with a syndicate of regional and international banks. The secured long-term loan was concluded for US$ 235 million; US$ 225 million term loan and US$ 10 million revolving loan. Repayment of the term loan is planned for 14 quarterly installments, 13 installments of US$ 12.5 million and the last installment of US$ 62.5 million which is due for the third quarter of 2015.

With regard to the term loan, the financial institutions required security for Staatsolie's payment obligations. This security consists of, among others, the offshore receivables and offshore accounts. Staatsolie also has to comply with several affirmative and negative covenants. As of December 31, 2012, Staatsolie is in compliance with the covenants of the loan agreement.

21 | FCIB long/ medium term loan facility

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

22 | Deferred income taxes

Movements in 2012 in the deferred income taxes were as follows:

x US$ 1,000	2012	2011
Balance as at January 1	64,497	62,869
Movement due to:		
Adjustment of beginning balance deferred tax	(72,167)	-
Difference between commercial and fiscal calculation of profit 2012	(2,332)	14,003
Unrealized losses on inventory subsidiaries	(580)	(239)
Unrealized financial gains/ (losses) from investment in pension plan and postretirement benefits	9,087	(7,408)
Unrealized financial gains/ (losses) from hedge	-	(4,664)
Deferred taxes on hedge	4,664	-
Unrealized financial gains/ (losses) from short-term investments	1,266	(64)
Balance as at December 31	**4,435**	64,497

23 | Provision for dismantlement and abandonment

Provision for dismantlement and abandonment comprises the following:

x US$ 1,000	2012	2011
Production field in 2012: 1,474 wells (2011: 1,418 wells)	75,230	68,925
Production facilities: Saramacca and pipeline to TLF	6,785	6,129
Refinery and pipeline to Paranam	5,696	5,209
Power plant	1,046	985
	88,757	81,248

24 | Provision for pensions and other postretirement benefits

x US$ 1,000	2012	2011
Unfunded accrued pension benefits, insured pension plan	753	825
Unfunded accrued pension benefits, health care plan	10,289	15,539
	11,042	16,364

25 Provision for pension plan

The provision for pension plan to the amount of US$ 7,318,174 includes an amount of US$ 164,441 for Suritex and US$ 7,153,733 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 postretirement benefits:

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

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

	Pension benefits		Insured pension benefits		Postretirement health care	
x US$ 1,000	**2012**	2011	**2012**	2011	**2012**	2011
Benefit obligation as at December 31	(75,197)	(83,592)	(753)	(825)	(15,301)	(20,196)
Fair value of plan assets as at December 31	68,043	59,576	-	-	5,012	4,657
Funded status as at December 31	**(7,154)**	(24,016)	**(753)**	(825)	**(10,289)**	(15,539)

(in %)	Pension benefits		Insured pension benefits		Postretirement health care	
Actuarial assumptions	**2012**	2011	**2012**	2011	**2012**	2011
Price inflation	4.00	4.00	4.00	4.00	4.00	4.00
Actuarial discount rate	5.50	3.95	5.50	3.95	5.50	3.95
Expected return on plan assets	6.50	6.50	-	-	6.50	6.50
Adjustment for inflation and salary developments	4.00	4.00	4.00	4.00	-	-
Average Merit	1.50	1.50	1.50	1.50	-	-
Rate of benefit increase	2.50	2.50	-	-	-	-
Expected increase medical cost	-	-	-	-	6.00	6.00

The measurement of the accumulated postretirement benefit obligation assumes an initial health care cost trend rate of 6.0 percent. A one-percentage-point increase in the health care cost trend rate would increase service and interest cost by US$ 0.5 million and the accumulated postretirement benefit obligation by US$ 3.6 million. A one-percentage-point decrease in the health care cost trend rate would decrease service and interest cost by US$ 0.4 million and the accumulated postretirement benefit obligation by US$ 2.8 million.

	Pension benefits		Health care	
	2012	2011	**2012**	2011
Employer's contribution	(3,581)	(3,110)	-	-
Employee's contribution	(1,194)	(1,099)	-	-
Benefits paid	984	313	64	48

	Pension benefits			Insured pension benefits			Postretirement health care		
As at December 31	2011	**2012**	2013	2011	**2012**	2013	2011	**2012**	2013
Service costs	(3,588)	(4,948)	(4,284)	(46)	(52)	(41)	(851)	(1,281)	(914)
Interest costs	(3,141)	(3,302)	(4,136)	(52)	(33)	(41)	(729)	(794)	(837)
Return on assets	3,214	3,992	4,023	-	-	-	279	303	326
Unrecognized transition costs	(21)	(21)	(21)	(59)	-	-	(121)	(121)	(121)
Unrecognized prior service costs	(176)	(176)	(176)	(36)	-	-	-	-	-
Unrecognized gains/ losses	(452)	(1,340)	(330)	(14)	-	24	(220)	(449)	(39)
Net pension costs	(4,164)	**(5,795)**	(4,924)	(207)	**(85)**	(58)	(1,642)	**(2,342)**	(1,585)

	Pension benefits		Insured pension benefits		Postretirement health care	
Change in Benefit Obligation	**2012**	2011	**2012**	2011	**2012**	2011
Benefit obligation as at January 1	(83,592)	(60,395)	(825)	(991)	(20,196)	(14,092)
Service costs	(4,948)	(3,587)	(52)	(46)	(1,281)	(851)
Interest cost	(3,302)	(3,141)	(33)	(52)	(794)	(729)
Benefits	984	313	-	-	48	58
Actual gains/(losses)	15,661	(16,782)	157	265	6,922	(4,583)
Benefit obligation as at December 31	**(75,197)**	(83,592)	**(753)**	(825)	**(15,301)**	(20,196)

	Pension benefits		Postretirement health care	
Change in Plan Assets	**2012**	2011	**2012**	2011
Fair value of plan assets as at January 1	59,576	53,944	4,657	4,295
Contributions	4,959	3,303	221	135
Benefits paid	(984)	(313)	(64)	(48)
Actual return on assets	4,492	2,642	198	275
Fair value of plan assets at December 31	**68,043**	59,576	**5,012**	4,657

	Pension benefits		Insured pension benefits		Postretirement health care	
Change in Other Comprehensive Income	**2012**	2011	**2012**	2011	**2012**	2011
Other comprehensive income as at January 1	33,228	16,522	(71)	303	10,652	6,406
Unrecognized Transition Cost	(21)	(21)	-	(59)	(121)	(121)
Unrecognized Prior Service Costs	(176)	(176)	-	(36)	-	-
Unrecognized Gains/ Losses	(1,340)	(452)	-	(14)	(449)	(220)
(Gains)/ Losses	(16,161)	17,354	(157)	(265)	(6,817)	4,587
Other comprehensive income at December 31	**15,530**	33,227	**(228)**	(71)	**3,265**	10,652

The strategy of the 'Stichting Pensioenfonds' for investing the plan assets into the different asset classes is based on the guidelines of the 'Central Bank van Suriname', prescribing maximum thresholds for certain asset categories. The 2012 fair value of the benefit plan assets, including the level within the fair value hierarchy, is shown on the next page.

Plan Assets

The 2012 fair value of the Pension benefit plan assets, including the level within the fair value hierarchy, is shown in the table below:

			%	**Level 1** Quoted prices in active markets for identical assets or liabilities	**Level 2** Significant other observable inputs	**Level 3** Significant unobservable inputs
1	**Interest 'Stichting Peetkind'**	**431**	**1**	-	431	-
2	**Real estate**	**22,358**	**33**	-	21,963	395
3	**Equity Securities**	**9,282**	**14**			
	Shares	3,223		2,678	545	-
	Trust Companies	2,359		2,359	-	-
	Term deposits	3,500		3,500	-	-
	Other	200		-	-	200
4	**Debt Securities**		**3**			
	Corporate Bonds	**1,900**		-	1,900	-
5	**Mortgage Loans**	**26,638**	**38**	-	26,638	-
6	**Cash and Cash Equivalents**	**7,434**	**11**	7,434	-	-
		68,043	**100**	**15,971**	**51,477**	**595**

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

1. Interest ' Stichting Peetkind', 40% interest in real estate of the 'Stichting Peetkind'. The fair value is based on the appraised value established by a certified appraiser, using comparable market oriented prices.
2. Real estate, fair value is based on appraised values established by a certified appraiser using comparable market oriented prices. The real estate categorized as level 3, is derived from the data regarding the profile and marketability of the investment.
3. Equity securities, measurement of fair value depends on the type of investment: Shares and investments in trust companies, are based on quoted prices, derived from active security exchanges market. The term deposits are highly marketable. The shares, categorized as level 2, are valued with input other than quoted prices that are observable for the investment. Other, is treated as a level 3, which is derived from the data regarding the profile and status of this investment.
4. Corporate bonds, valuation is established by other than quoted prices that are observable for these bonds.
5. Mortgage loans, fair value is based on appraised values of collateral established by a certified appraiser using comparable market oriented prices.
6. Cash and Cash equivalents: includes a negative balance of the other assets and liabilities ad US$ 1,144,809.

26 Provision for environmental risk

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

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

27 Segments and related information

Staatsolie's business covers integrated activities regarding the oil and energy industry. These activities are defined into the following operating segments: upstream, downstream, trading and energy. As defined in the accounting standard for segment reporting ASC 280, these operating segments are the company's reportable segments.
The upstream is responsible for exploring, developing, producing and transporting crude oil to the refinery. The downstream is organized and operates to refine the crude oil, market, sell, and distribute the oil products. The trading segment involves trading fuel products and selling these products to wholesale and retail as well as bunkering customers. The energy segment operates the 28 megawatt thermal power plant and sells the electric power to the single source customer, the national utilities company for further distribution.
These functions have been defined as the operating segments of the company because they are the segments (1) that engage in business activities from which revenues are earned and expenses are incurred; (2) whose operating results are regularly reviewed by the board of excecutive directors to make decisions about resources to be allocated to the segment and assess its performance; and (3) for which discrete financial information is available. The corporate segment consists of Petroleum Contracts, Business Development and all other corporate administrative functions.

Segment reporting Staatsolie
x US$ 1,000

Segment (Revenues)	**2012**	2011
Upstream	590,244	571,274
Downstream	631,606	607,154
Trading	537,633	216,436
Energy	22,831	7,717
Total segment amounts	**1,782,314**	**1,402,581**
All Corporate activities (including eliminations)	(722,257)	(611,310)
Total consolidated amounts	**1,060,057**	791,271

Segment (Profit(/Loss))	**2012**	2011
Upstream	416,874	311,639
Downstream	1,124	7,624
Trading	8,460	345
Energy	6,408	(8,878)
Total segment amounts	**432,866**	**310,730**
All corporate activities (including eliminations)	(34,735)	(48,345)
Total consolidated amounts	**398,131**	262,385

x US$ 1,000

Segment (Assets)	**2012**	2011
Upstream	309,809	260,413
Downstream	688,939	269,337
Trading	90,791	67,049
Energy	57,497	34,929
Total segment amounts	**1,147,036**	**631,728**
All corporate activities (including eliminations)	271,546	561,805
Total consolidated amounts	**1,418,582**	1,193,533

Major customers

Revenues from one customer of the downstream segment represent approximately US$ 150.4 million of the company's consolidated revenues.

28 | Hedge

In 2011 Staatsolie entered into foreign currency exchange contracts in relation to projects to hedge against the risk of fluctuations in foreign currency exchange rates for expenditures in currencies other than the project currency. Staatsolie has designated certain foreign currency exchange contracts as cash flow hedges. For such contracts designated and that qualify as cash flow hedges gains and losses related to project specific currency transactions are recognized as part of Staatsolie's accumulated other comprehensive income/(loss).
The fair value of the contracts is calculated by multiplying the nominal amounts with the difference between the contract rates and the forward rates (level 2 inputs).
In 2012 Staatsolie recorded on the foreign currency exchange contracts a loss of US$ 15 million (2011: US$ 1.2 million) in the income statement. As at December 31, 2012 there were no foreign currency exchange contracts.

29 | Off-balance commitments and contingencies

As at December 31, 2012, the off-balance commitments and contingencies consist of the following:

x US$ 1,000	2013	2014-2017	Total
Long term (sales) contracts	519,427	237,202	756,629
Long term refinery expansion contract	117,886	48,704	166,590
Operational lease	11,354	4,856	16,210
Study grants	382	677	1,059
	649,049	291,439	940,488

30 | Net revenues per product

x US$ 1,000	2012		2011	
	x 1,000 Bbls		x 1,000 Bbls	
Local refined products (gross)	5,847	623,600	5,886	605,879
Intracompany sales	(850)	(86,406)	(453)	(46,764)
Local refined products (net)	4,997	537,194	5,433	559,115
Trading activities	3,148	487,073	1,622	215,401
Electric energy *)		22,529		7,717
Total gross revenues	**8,145**	**1,046,796**	7,055	782,233
Net revenue local refined products after deduction of direct sales costs **)		1,030,357		769,187
Other sales related revenue				
- inventory change oil stock		9,208		7,934
- other revenues		4,053		1,104
Net sales revenue	**8,145**	**1,043,618**	7,055	778,225

*) The generated electric energy in 2012 was 165,656,970 kWh. (2011: 48,111,259 kWh).

**) Sales costs related to electric energy is reclassed to 'Other operational costs'.

31 | Depreciation

The breakdown of the depreciation expenses is as follows:

x US$ 1,000	2012	2011
Wells and equipment	22,523	23,161
Oil pipelines	418	417
Refinery	6,359	4,346
Power plant	1,755	2,083
Other fixed assets	9,597	7,362
	40,652	37,368

32 | Other operational costs

The breakdown of the other operational costs is as follows:

x US$ 1,000	2012	2011
Trading activities Staatsolie	171,459	41,448
Electric energy ***)	(1,096)	12,305
Paradise Oil Company	275	298
Trading activities Ventrin	64,343	69,763
Suritex N.V.	177,044	62,774
	412,025	186,588

***) 2012 Electric energy includes credit adjustment of the SPCS provision for doubtful debtors.

33 Income tax charge

The income tax comprises of:

x US$ 1,000	2012	2011
Current tax expense or benefit	(154,889)	(137,957)
Deferred tax expense or benefit	74,499	(14,003)
	(80,390)	(151,960)

Reconciliation statutory with effective tax rate:	2012	2011
Suriname statutory income tax rate	36%	36%
Effect of unrecognized tax credits	(16%)	1%
Effective tax rate	17%	37%

Tax losses carry forward

Ventrin has accumulated tax losses of approximately US$ 15.0 million (2011: US$ 16.0 million) available for offset against future taxable profits. These losses have no expiry date in Trinidad and Tobago.

Financial Statements Staatsolie

1 Balance Sheet as at December 31, 2012 (after distribution of earnings)

x US$ 1,000

Assets	2012	2011
Current assets		
Cash and cash equivalents	171,043	460,318
Short-term investments	35,938	30,650
Accounts receivable	97,900	57,500
Inventories	18,881	14,668
Prepaid expenses and other current assets	125,606	58,550
	449,368	621,686
Loan	2,237	2,125
Investments		
Equity investment	19,243	13,171
	19,243	13,171
Goodwill	5,447	5,447
Property, plant and equipment		
Oil properties		
Evaluated properties	214,742	204,423
Pipelines	2,171	2,305
	216,913	206,728
Refinery	17,945	23,215
Power plant	-	26,533
Other fixed assets	70,780	66,886
	305,638	323,362
Projects in progress	602,241	209,119
	907,879	532,481
Total assets	**1,384,174**	1,174,910

Paramaribo, April 24, 2013

The Board of Executive Directors:
M. Waaldijk Managing Director
G. Sairras Production & Development Director
I. Poerschke Finance Director

x US$ 1,000

Liabilities	2012	2011
Current liabilities		
Accounts payable	38,825	11,294
Accrued liabilities	95,057	57,819
Income and other taxes	62,974	28,579
Short-term portion of Term Loan	50,000	37,500
	246,856	135,192
Long term debt		
7% Bond	55,042	54,999
Term Loan	131,740	179,752
	186,782	234,751
Provisions		
Deferred income taxes	5,014	64,443
Dismantlement and abandonment	87,711	81,248
Provision for pensions and other postretirement benefits	11,043	16,363
Pension plan	7,154	24,016
	110,922	186,070
Shareholder's equity	839,614	618,897
Total shareholder's equity & liabilities	**1,384,174**	1,174,910

Paramaribo, April 24, 2013

The Supervisory Board:

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

2 Income Statement 2012

x US$ 1,000

	2012	2011
Revenues from		
Production & Refining	623,600	599,366
Trading activities	176,047	43,757
Electric energy	-	7,717
Gross revenues	799,647	650,840
Inventory variation	8,441	7,742
Net income from equity investment Suritex/ SPCS	10,683	203
Other revenues	3,566	950
	822,337	659,735
Less: export-, transport- and sales costs	(16,455)	(20,516)
Net revenues	805,882	639,219
Exploration expenses including dry holes	(23,839)	(37,840)
Production expenses	(37,166)	(37,664)
Refinery expenses	(16,108)	(12,080)
Depreciation	(37,698)	(36,719)
Accretion expenses	(4,816)	(4,444)
Other operational costs	(172,974)	(46,479)
Operating income	513,281	463,993
General and administrative expenses	(27,968)	(26,912)
Expensed projects	(7,355)	(6,457)
Financial income	(978)	(13,680)
Earnings before tax	476,980	416,944
Income tax charge	(78,565)	(152,040)
Net profit	**398,415**	264,904

Paramaribo, April 24, 2013

The Board of Executive Directors:
M. Waaldijk Managing Director
G. Sairras Production & Development Director
I. Poerschke Finance Director

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

3 Notes to Staatsolie Balance Sheet

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

Equity investment
This account regards the majority interest in affiliated companies.
Equity investments are accounted for using the equity method.

Ventrin Petroleum Company Limited is a wholly owned subsidiary of Staatsolie and is domiciled in the Republic of Trinidad and Tobago. In 2012, Ventrin has a negative net asset value of US$ 3,939,908 and therefore the participation was valued at nil. The net income of Ventrin in 2012 amounted to US$ 1,112,155.

Paradise Oil Company N.V. (POC) is a wholly owned subsidiary of Staatsolie and is domiciled in Suriname. In 2012, POC has a negative net asset value of US$ 1,199,505 and therefore the participation was valued at nil. The net loss of POC in 2012 amounted to US$ 264,698.

Suritex N.V. is a wholly owned subsidiary of Staatsolie and is domiciled in Suriname. The participation in Suritex is valued at US$ 17,560,886, including the net income after tax of US$ 4,274,624.

As of April 16, 2012 Staatsolie is the main shareholder of the Staatsolie Power Company Suriname N.V. (SPCS) and the local electricity company N.V. EBS holds one share. In 2012, SPCS has a net asset value of US$ 1,681,739 . The net income of SPCS in 2012 amounted to US$ 6,407,818 .

Overview of equity investment as at December 31, 2012

x US$ 1,000	**Ventrin**	**POC**	**Suritex**	**SPCS**
Share capital	13,338,977	4,000	2,639	10,300,000
Retained earnings previous years	(18,391,040)	(938,807)	13,283,623	(15,026,079)
Net earning current year	1,112,155	(264,698)	4,274,624	6,407,818
Net asset value	**(3,939,908)**	**(1,199,505)**	**17,560,886**	**1,681,739**

Shareholder's equity
The difference between corporate and consolidated shareholder's equity is disclosed on page 34.

Other information

1 Distribution of Earnings

Articles of association

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

2012 distribution of earnings

In 2012, a net profit was realized of US$ 398 million. Management proposed a cash dividend of 50%, profit sharing for management and personnel, a reserve for environmental risk and the remaining balance to be added to the general reserve.

2 Adoption of Financial Statements of the Preceding Fiscal Year

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

3 Subsequent events after balance sheet date

- Sale of land at Saramaccastraat to N.V. EBS for an amount of US$ 3.9 million in the first quarter of 2013
- Termination of the Power Purchase Agreement (PPA 1) with N.V. EBS and instead a new Power Purchase Agreement was signed as of March 1, 2013 with the Government of Suriname for the sale of electric energy to N.V. EBS.

Five years Consolidated Income Statements

x US$ 1,000

	2012	2011	2010	2009	2008
Gross revenues	1,046,796	782,233	565,807	424,597	575,838
Net revenues	1,043,618	778,225	547,718	413,112	564,947
Exploration expenses including dry holes	(24,009)	(37,944)	(10,385)	(30,283)	(5,366)
Production expenses	(37,166)	(37,664)	(33,419)	(28,953)	(26,141)
Refinery expenses	(15,873)	(12,080)	(10,623)	(9,131)	(10,679)
Depreciation	(40,652)	(37,368)	(34,631)	(35,154)	(36,242)
Accretion expenses	(4,875)	(4,444)	(3,953)	-	-
Other operational costs	(412,025)	(186,588)	(124,640)	(83,013)	(99,530)
Operating income	509,018	462,137	330,067	226,578	386,989
General and administrative expenses	(27,968)	(26,915)	(24,156)	(20,101)	(24,155)
Refinery expansion	-	-	(6,135)	(30,763)	-
Expensed projects	(7,355)	(6,457)	-	-	-
Impairment of equity investment	-	-	-	(148)	(7,379)
Financial expense and income	4,826	(14,452)	(1,474)	5,143	4,411
Earnings before tax	478,521	414,313	298,302	180,709	359,866
Income tax	(80,390)	(151,960)	(106,690)	(64,741)	(129,389)
Earnings after tax	398,131	262,353	191,612	115,968	230,477
Minority interest	-	32	23	29	16
Net profit	**398,131**	262,385	191,635	115,997	230,493

Supplemental Information on Oil Producing Activities (Unaudited)

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

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

1 Cost incurred in exploration, property acquisition and development for the year ended December 31, 2012

x US$ 1,000	**2012**	2011
Exploration costs	24,234	38,045
Development costs	77,529	70,434
End of the year	**101,763**	108,479

2 Capitalized Cost relating to oil producing activities as at December 31, 2012

x US$ 1,000	**2012**	2011
Proved oil properties	468,067	437,409
Accumulated depreciation	(272,671)	(252,063)
Net capitalized costs	**195,396**	185,346

3 Results of operations for oil producing activities for the year ended December 31, 2012

x US$ 1,000	**2012**	2011
Revenues		
Sales	799,647	649,635
Total	799,647	649,635
Production costs	(37,166)	(37,665)
Exploration costs	(23,839)	(37,839)
Depreciation and provisions	(33,496)	(32,418)
	705,146	541,713
Income tax expenses	(78,565)	(152,070)
Results of operations from producing activities (excl. corporate overhead interest cost)	**626,581**	389,643

4 Reserve Quantity Information for the years ended December 31, 2012 and 2011

Proved developed and undeveloped reserves (x 1,000 Bbls)	2012	2011
Beginning of the year	76,800	72,000
Revisions of previous estimates	4,000	10,000
Extensions and Discovery	1,800	800
Production	(5,900)	(6,000)
End of the year	**76,700**	76,800

Proved developed reserves	2012	2011
Beginning of the year	56,700	50,400
End of the year	**57,700**	56,700

Proved undeveloped reserves	2012	2011
Beginning of the year	20,100	21,600
End of the year	**19,000**	20,100

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

5 Standardized measure of discounted future net cash flows at December 31, 2012

Based on the oil price of US$ 95

x US$ 1,000	2012	2011
Future cash inflows [a]	7,179,487	7,260,588
Future production and development costs [a]	(1,037,619)	(961,719)
Future income tax expenses [a]	(2,211,073)	(2,267,593)
Future net cash flows	3,930,795	4,031,276
10% annual discount for estimated timing of cash flows	(1,798,502)	(2,029,007)
Standardized measure of discounted future net cash flows	**2,132,293**	2,002,269

(a) Future net cash flows were computed using prices used in estimating the entity's proved oil reserves, year-end costs, and statutory tax rates (adjusted for tax deductions) that relate to existing proved oil reserves.
The Society of Petroleum Engineers guidelines propose to use the average price of 2012 which is 95.00 US$/BBL (2011: 95.72 US$/BBL).

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