



Annual Report 2007

Staatsolie Maatschappij Suriname N.V.



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Staatsolie Maatschappij Suriname N.V.
State Oil Company of Suriname



Vision and Values

Vision 2020

The core business of Staatsolie is the development of energy resources. Activities include exploration, development, production and refining & marketing of hydrocarbons and the generation of power. Staatsolie may pursue other business opportunities, if these are aligned with its business vision.

Staatsolie Vision 2020



Values

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

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I. Shareholder, Supervisory Board, Board of Executive Directors and Management as of December 31, 2007

Sole Shareholder

The Republic of Suriname represented by:

- the President, His Excellency R.R. Venetiaan, on his behalf:
- the Minister of Natural Resources, G.A. Rusland

Supervisory Board

Marica S.	Acting Chairman
Adhin R.S.	Member
Kasantaroeno F.T.	Member
Kross J.R.	Member
Pahladsingh R.K.	Member
Kensmil H.S.	Secretary

Board of Executive Directors

Waldijk M.C.	Managing Director
Kortram I.E.	Finance Director
Nuboer B.F.	Refining & Marketing Director

Deputy Directors

Sairras G.	Deputy Director Production & Development
Dwarkasing B.	Deputy Director Exploration & Petroleum Contracts

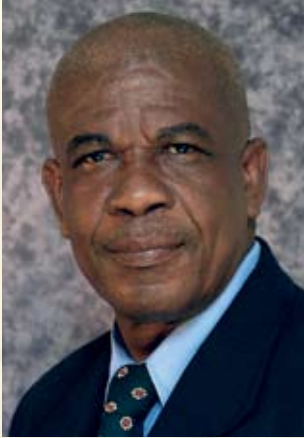
Division Managers

Brunings D.	Manager Information & Communication Technology
Daal-Vogelland M.	Manager Petroleum Contracts
Dongen A.	Manager Corporate Planning
Essed V.	Manager Human Resources Management
Goerdajal P.	Acting Manager Production Operations
Hughes C.	Manager Refining Operations
Jagesar A.	Manager Finance Administration
Kleiboer A.	Manager Technical Services
Mac Donald D.	Manager Procurement
Moensi – Sokowikromo A.	Manager Controlling
Murli S.	Manager Marketing
Nandlal B.	Manager Field Evaluation & Development
Ramautar R.	Manager Health, Safety & Environment
Sam-Sin A.	Manager Engineering & Drilling

Project Managers

Brunings P.	Project Manager Paradise Oil Company
Fränkel E.	Project Manager Staatsolie Power Plant
Ketele T.	Project Manager Refinery Expansion

Supervisory Board



S. Marica – Acting Chairman



R.S. Adhin – Member



F.T. Kasantaroeno – Member



J.R. Kross – Member



R.K. Pahladsingh – Member



H.S. Kensmil – Secretary

II. Letter of the Managing Director

Our financial performance exceeded expectations in 2007. Profit before taxes for the year was US\$ 228.3 million, an increase of 49% compared to 2006. The main drivers being higher world market prices and increased crude production.

Crude production reached 16,500 barrels per day at year-end, 17% above the 2006 year-end production of 14,100 barrels per day. The steep production increase over the last two years, in excess of 30%, was the result of several improvement projects in the production fields. These led to a better understanding of the oil reservoir, resulting in improved field production.

At present Staatsolie's proven recoverable reserves are approximately 79.6 million barrels, enough to support 15 years of production at the current production level. In order to support our growth strategy we decided to substantially step up exploration efforts, allocating a budget of approximately US\$ 85 million to increase the proven reserves base to 115 million barrels by 2011. The execution of the program started in 2007 with the drilling of 26 wells, and will continue in 2008 with, among other projects, a 540 km 2D regional seismic survey in the coastal area of Suriname.

After four years of extensive data gathering and interpretation, our production sharing contract partners Repsol YPF and Noble Oil decided to drill an exploration well in offshore Block 30. This will be the first exploration well in offshore Suriname in over 22 years. All contracts are currently in place to start the drilling process in April 2008, and we anxiously await the outcome of a successful well.

In the downstream, progress was made with the Front End Design (FED) of the refinery expansion project. The conceptual design phase (FED2) was completed with some delays, but by year-end preparations for the basic design phase (FED3) were in place and approval to proceed was obtained. FED3 will start in the second quarter of 2008, and start-up of the expanded refinery is scheduled for 2012. With the newly diversified product portfolio, imports of refined petroleum products will be reduced substantially. This project will lead to improved profitability for Staatsolie, and will have a major positive impact on the Government budget and the balance of payment of Suriname.

In the reporting year we continued to look for higher margin markets for our low sulphur, low metals products. With more stringent emission standards set by the European Union, a niche market opened in the bunkering of ships en route to Europe. This presents a good opportunity for further development in the coming years.

The reorganization of the upstream was implemented in March 2007. The main objectives were introduction of the business unit concept, a stronger focus on the exploration function, and improved bottom-line orientation throughout the company, by assigning single point accountability at all management levels. Complementary projects to implement these concepts were initiated and executed in 2007.

As stated in Staatsolie's Vision 2020, we aspire to make a strong contribution to the advancement of our society. We take our social responsibility very seriously and have increased direct contribution over the years to the community through the support of social projects. In 2007 we spent around US\$ 2 million on donations and projects. The highlight was the inauguration of the Staatsolie building for the Faculty of Graduate Studies and Research on December 13, 2007.

Staatsolie will continue to contribute to the advancement of our society by supporting the underprivileged, and by participating in the execution of sustainable projects in the fields of education, health, sports, and culture. For more effective management of the allocated resources we will establish the 'Staatsolie Community Development Fund' in the course of 2008.

On behalf of my fellow Directors, I would like to thank our customers and other external relations for their partnership. I extend my appreciation to the shareholder and the members of the Supervisory Board for their support and encouragement. To our employees I express my gratitude for their contribution, their loyalty and their trust in the future of Staatsolie.

Confidence in Our Own Abilities!

Paramaribo, April 2008
Board of Executive Directors
M.C. Waaldijk
Managing Director

Board of Executive Directors



B.W. Dwarkasing
Deputy Director Exploration
& Petroleum Contracts

G.P. Sairras
Deputy Director Production
& Development

M.C.Waaldijk
Managing Director

B.F. Nuboer
Refining &
Marketing Director

I.E. Kortram
Finance Director



Signing of production sharing contracts for onshore blocks Uitkijk and Coronie by M. Waaldijk of Staatsolie and J. Mc Kenna of Tullow Oil.



Wetland operations: production drilling.

III. Operational Performance 2007 & Work Program 2008

Financial Performance

In 2007, gross revenues of US\$ 336.5 million were recorded; an increase of US\$ 73.0 million (28%), compared to the previous year. This exceptional result was achieved through a combination of high oil prices, increased oil production, and increased trading activities. The average net price per barrel for Saramacca Crude and its derivatives increased from US\$ 46.43 per barrel in 2006 to US\$ 56.43 per barrel in 2007 (22%). Profit before taxes amounted to US\$ 228.3 million, compared to US\$ 153.1 million in 2006 (49%). The resulting return on equity increased to 58% from 51% in 2006. Contribution to the Government budget on an accrual basis amounted to US\$ 160.0 million, an increase of 51% compared to 2006: US\$ 80.2 million for tax obligations and US\$ 79.8 million as dividend. In 2007, total investment expenditures amounted to US\$ 68.4 million, of which US\$ 50.7 million for production development and US\$ 17.7 million for downstream activities and other projects. The total investment program was financed out of the company's own cash flow.

Upstream

Crude Production

Staatsolie produced 5.44 million barrels of Saramacca Crude; an increase of 12.5% compared to 2006. The main contributor was a higher than projected production from older wells in the Tambaredjo field. Daily production increased from 14,100 barrels in January to 16,500 barrels in December. Average daily production in 2007 was 14,900 barrels compared to 13,200 barrels in 2006. A total of 158 new development wells were drilled, of which 123 were completed into production wells, while 35 wells were plugged and abandoned. At year-end, a total of 1,098 wells were in production.

The addition of new production wells resulted in an increase of fluid production. Average water content,

however, remained around 78%, as a result of a modest decline of old wells and low water content of new wells. Associated gas production decreased by 19% to an average of 613,000 Standard Cubic Feet per Day, and was used to fuel the heaters and generate 3.8 million kilowatt-hours of electrical power.

Production in the Calcutta field improved in its second full year of operation, and was slightly lower than initial projections. A total of 78 wells were brought into operation, resulting in a total number of 136 wells in this field. Annual production amounted to 723,300 barrels, which was 22% below the initial forecast of 925,700 barrels. This lower production level was the result of lower initial production by the new wells and lower realization by the old producers.

Reservoir Studies

In 2007, 15 stratigraphic test wells were drilled in the Tambaredjo field, of which one (1) was completed but suspended for future production. In the Calcutta field, 23 stratigraphic test wells were drilled, of which five (5) were suspended for future production. Stratigraphic test wells are drilled to delineate the most prospective areas within a proven area. In addition, several studies were carried out to improve production performances in the Tambaredjo and Calcutta fields.

The Enhanced Oil Recovery project continued in 2007. In May 2007, work started with the design and development of a Polymer Injection pilot in the Sarah Maria South area. In addition, a tender was held for delivery of the polymer mixing and injection unit, and the construction of supporting facilities. The latter includes a water treatment unit, water storage tanks and high-pressure piping. Start-up of the pilot project is scheduled for July 2008.

The remaining proven reserves (P90) at year-end 2007 were 79.6 million barrels: 51.8 million barrels in the Tambaredjo field; 8.3 million barrels in

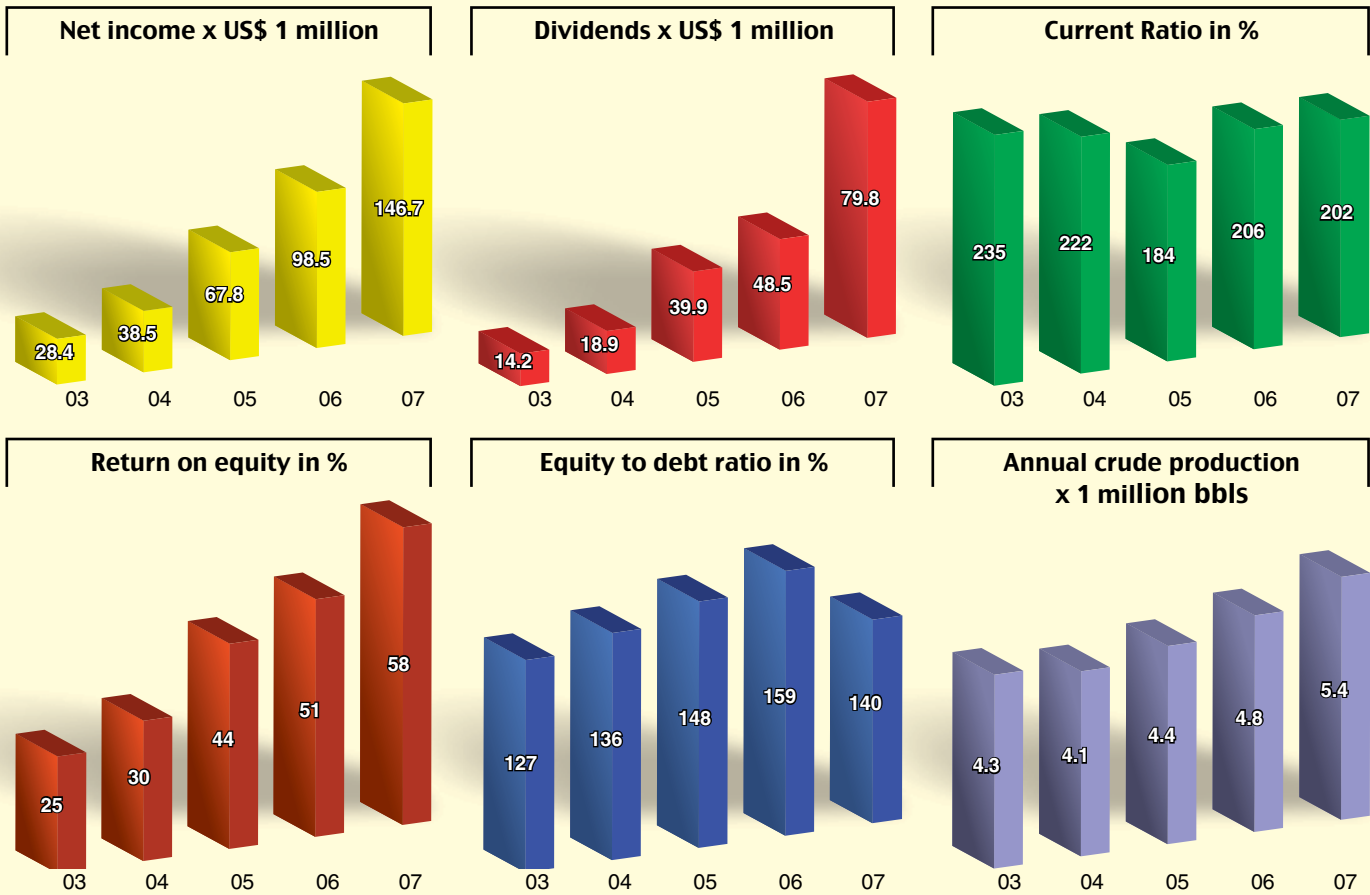


Handrail placed at Huize Ashiana, home for about 100 elderly.



State-of-the-art computer equipment for the 600 students of the AMS college.

Financial Highlights 2007



the Calcutta field; and 19.5 million barrels in the Tambaredjo North-West area. In addition, total probable reserves (P50-P90) were estimated at 16.6 million barrels.

Exploration

In view of the importance of exploration for Staatsolie's continuity and growth, two key measures were taken in 2007. The first was the repositioning of the Exploration department within the Staatsolie organization. The Exploration department was upgraded to a division within the newly established directorate Exploration & Petroleum Contracts, which also comprises the Petroleum Contracts division, the Exploration Drilling department, and Paradise Oil Company N.V. The second measure taken was the approval of a multi-annual Exploration plan 2008-2012, including an indicative budget of US\$ 85 million.

The 2007 appraisal and exploration-drilling program consisted of 38 wells, of which eight (8) in Calcutta,

18 in Tambaredjo West and North-West areas, and 12 in the Weg naar Zee area. A total of 38 wells were drilled in 2007, in which various layers showed hydrocarbon occurrences. Two wells were cased and suspended in the Weg naar Zee area for testing purposes in 2008. Besides the Cenomanian-Turonian related petroleum system in the Saramacca area, a second petroleum system might be active in the Weg naar Zee area. Further analyses are required for confirmation.

At the end of 2007, reserves studies were in progress to determine the actual remaining crude reserves of the company as of December 31, 2007.

Downstream

Refinery

The Refinery product mix consisted of Staatsolie Diesel, Asphalt Bitumen and various grades of Fuel Oil. Despite an unplanned downtime of six (6) days,



The Staatsolie Building, Faculty of Graduate Studies and Research, our 25th anniversary present to the Surinamese community.



Inauguration of the Staatsolie Building by H.E. President R. Venetiaan.

Refining Operations processed 2.65 million barrels of crude, in line with the year target. Realization of this target was the result of a higher average throughput of 7,590 barrels per stream-day compared to the target of 7,350 barrels, an increase of 6% compared to 2006.

With regard to the expansion of the Refinery, the second Front End Design phase (FED2) was concluded in April 2007. For the remainder of 2007, preparations were conducted for the start-up of FED3, the last phase of basic engineering. In October 2007, the Board of Executive Directors approved the budget for FED3 start-up. Execution will start in the second quarter of 2008.

Marketing

Crude Oil prices continued to increase in 2007. The net realized product price for 2007 was US\$ 56.43 per barrel, which is 22% higher than the 2006 price of US\$ 46.43 per barrel. This increase was caused mainly by tight global crude supplies against high world demand, fuelled by China's and India's rapid development and continuing geopolitical tensions. Product prices were also influenced by refinery capacity constraints. Sales in foreign currency amounted to US\$ 318.4 million, while sales in Surinamese dollars amounted to the equivalent of US\$ 18.1 million.

In the reporting year, approximately 5.7 million barrels of petroleum products were sold, 5.3 million barrels from Staatsolie's production and 0.4 million barrels from imports. Sales were distributed as follows: 56% to the aluminium industry; 22% for exports; 17% for bunkering, including deliveries to fishing vessels; and 5% to various local industries.

As a result of our marketing efforts in 2007, international bunker sales increased by 55% to 790,000 barrels compared to 510,000 barrels in 2006. The demand for bunkering is mainly spurred by the European Union's (EU) stringent environmental demands concerning sulphur content of fuel oil for ships entering Europe. Our fuel oil has a sulphur content of less than 1%, which is favourably below the EU standard of 1.5%.

Exports to Guyana, Barbados, Trinidad and Curaçao increased with 13% to 1.3 million barrels in 2007. The first shipment to Guyana Power & Light Inc., the sole electrical power supplier in Guyana, was realized this year. In addition, in March 2007 Staatsolie's exports of bitumen to French Guyana commenced, resulting in total sales of 2,800 barrels at the end of the year.

Based on changes in target markets, some important logistical adjustments were made to maintain a high level of service to our customers. A time-charter agreement was signed for the lease of one ocean-going tanker, while a second tanker was leased for short periods as required.

In 2007, Staatsolie continued its efforts to implement the PetroCaribe agreement between Venezuela and Suriname. Among the difficulties encountered were the stringent local laws pertaining to the Government's borrowing ceiling. In an effort to address this issue, a new structure was designed and will be presented to the Suriname Government. Its implementation in 2008 will depend on the outcome of the Government's decision.

Promotional activities in 2007 included sponsoring of the '7th Staatsolie Diesel Savanna Rally' in November, and an advertising campaign on Staatsolie's bunker products in international bunker magazines, emphasizing our quality and service.

Paradise Oil Company N.V.

In February 2007 Paradise Oil Company N.V. (POC) signed a Joint Venture agreement with Tullow Oil. The Joint Venture signed a production sharing agreement (PSC) with Staatsolie, obtaining exclusive exploration and production rights for the Uitkijk and Coronie blocks.

On July 19, 2007 exploration-drilling activities officially started in the Uitkijk Block. Of the 10 wells of phase I of the drilling program, five (5) wells were drilled in 2007. All of the wells were drilled based on the 2D seismic grid that was acquired by Koch International B.V. in 2000. Although all of the five (5) wells had oil shows, further exploration is needed to establish commerciality.



Three-year awareness project 'Education for All – HIV-Aids', training 1300 teachers, and educating 15,000 pupils of senior secondary schools.



Professional scoreboard donated to the Suriname Basketball Association.

The results from the first five (5) wells provided important insights for selecting the remaining five (5) exploration wells for the drilling program 2008. The next drilling campaign (phase 1b) in the Uitkijk Block is expected to start in the third quarter of 2008. Depending on these results, an appraisal program will be executed (phase 2).

Exploration activities in the Coronie Block are planned for the third quarter of 2008. In 2007 studies were started in Coronie to determine whether a 2D seismic program should be included. A decision was made to start with the drilling of five (5) wells, as negotiated in the PSC Contract. In addition, an environmental baseline study and a field expedition were carried out in 2007.

Staatsolie Power Plant

The production target for 2007 was based on the contractually agreed commitment of 100 MM kWh of electrical energy. The Staatsolie Power Plant produced 25 MM kWh of electrical energy, which is 75% below target. The below-target realization was due to the low off-take by N.V. EBS, as a result of the availability of excess hydropower from the Afobaka power plant. EBS is the sole customer under the Power Purchase Agreement. Gross sales amounted to US\$ 1.9 million.

Support

Human Resource Management (HRM)

In 2007, the Board of Executive Directors installed the HRM Task Force, which focused on the following main issues:

- Development of core value and job-related competencies of the employees to prepare them for future challenges and plans.
- Development of a Performance Management System enabling the appraisal of each employee, based on bottom-line results and required competencies.
- Development of a career path for the professional job positions.

The taskforce is supported by KPMG Advisory Services. The project will be completed in 2009.

Health, Safety and Environment (HSE)

In the table below incident statistics are included for 2007 and 2006.

	First Aid Injuries	Lost Time Injuries	Vehicle Accidents	Oil Spills >1 bbl
2007	17	2	80	21
2006	17	8	86	15

Except for the oil spills performance indicator, we were able to sustain or improve our HSE performance, in spite of increased operations.

HSE risk identification and assessment of company activities was started in 2007. The objective of this process was to identify and analyze all significant HSE risks associated with company activities, so that measures can be initiated and implemented to prevent accidents. Training of operational staff in HSE risk identification and assessment was an essential part of this process.

The Ambient Air Quality Monitoring program was initiated, and will be executed quarterly at the treatment, refinery and power plants. A Soil and Ground Water Quality Assessment was executed in cooperation with the Anton de Kom University of Suriname, and the findings were presented to the Saramacca Operations' management.

Environmental Impact Assessments (EIAs) were made for several activities, including Paradise Oil Company (POC) in the Uitkijk area. As a follow-up, stakeholders meetings were held to present the results. The EIAs for planned exploration activities in Coronie, Nickerie, Commewijne, Weg naar Zee, and Tambaredjo North-West were continued.

Staatsolie also coordinated the EIA for the seismic activities regarding extension of the Exclusive Economic Zone, and presented the result of the study to the stakeholders.



Improved food safety for the 350 elderly residents of Huize Ashiana, through renovation of the kitchen.



A mobile unit to facilitate diabetes tests, financed in part by Staatsolie.

Quality

In 2007, emphasis was placed on sustaining the company-wide ISO 9001:2000 certification and improving the effectiveness of the Quality Management System. In the current ISO 9001:2000 Quality Management System, the adjustments and developments within the company are not yet sufficiently internalized. In this context a pilot project to select, train and install improvement teams for continuous improvement of quality processes was carried out successfully within the Procurement and Refining Operations divisions.

Management Information, Procurement and Financing

In 2007, the Corporate Information Plan 2007-2010 was finalized. The plan will be the basis for further developments regarding automation projects within Staatsolie. Major areas of attention include: integration of the administrative applications; centralized databases (data warehousing); security upgrades; and expansion of the IT infrastructure.

The administrative system of the Staatsolie Power Plant was developed, tested and fully implemented in 2007. As a result, consolidated statements can now be generated from our existing accounting system. Staatsolie's growth will be accompanied by the creation of new subsidiaries. Central control through administrative integration has proved to be a feasible option.

The direct use of Staatsolie's purchase system DataStream by purchase agent Miami International was carried out through secured data access. As a result, the Agent now has direct access to approved purchase requisitions, which can then be converted into a purchase order within the Staatsolie system. With the implementation of this facility, the administrative routing of Purchase Orders was simplified, resulting in reduced costs and time.

Corporate Image & Social Responsibility

In 2007, 40 projects for sustainable development were approved for a total amount of US\$ 2.0 million. Besides facilitating the financially underprivileged, these projects support education, arts & culture, sports, health and the environment.

In addition, on December 13, 2007, the inauguration of the Staatsolie building for the faculty of Graduate Studies and Research took place. Master's and PhD studies will be conducted at this faculty. With this contribution to the community, Staatsolie has demonstrated its commitment to education as a fundamental requirement for the advancement of our society.

The establishment of the 'Staatsolie Community Development Fund Foundation' was prepared in 2007. This Foundation will continue to support sustainable development projects.

In addition, a 'Committee Rehabilitation and Expansion of Sports facilities' was incorporated to support the renovation and building of sports facilities for a total budget of US\$ 3.0 million.

Institutional Activities

In 2007, two (2) petroleum contracts were signed, the first with a consortium consisting of Tullow Oil's subsidiary Hardman Resources and POC, a 100% subsidiary of Staatsolie, for the onshore blocks Uitkijk en Coronie. In accordance with the contract, Tullow Oil will gain 40% interest in the consortium with Paradise Oil, while fulfilling the role of operator. The second contract was concluded with Murphy Oil for offshore Block 37. Murphy Oil successfully bid on this block in the International Bidding Round 2006.

Monitoring of the petroleum operations in offshore Blocks 30, 31 and 32 was continued. Based on the 2,900 km² 3D survey executed in Block 30, five (5) prospects were identified. The parties agreed to drill



Finance Director Iwan Kortram in the limelight for 12½ years of service.



Staatsolie Headquarters, an impression.

an exploration well in West Tapir # 1. Repsol YPF and partners have made preparations for the drilling of one (1) well, which will take place in the second quarter of 2008.

Maersk reprocessed its 2D seismic lines in 2007 and farmed out 35% of its interest in Block 31 to Teikoku. The decision to enter phase 2 of the Exploration Period will be taken in May 2008. Phase 2 involves a 3D seismic survey and the drilling of a well.

In 2007, Occidental left the Guyana Basin and transferred its 100% interest in Block 32 and its 30% interest in Block 30 to Noble Energy. Noble followed up on the mapping done by Occidental in Block 32.

To prepare for Bidding Round 2008, 2D data acquired in 2004 in the eastern offshore region was reprocessed. In the third quarter of 2008, data mapping and the final selection of the acreage for the next bidding round will be finalized.

Until May 12, 2009 Suriname may submit its claim to establish the outer limits of its Continental Shelf to the Commission on the Limits of the Continental Shelf (CLCS), as set out in article 76 of the United Nations Convention on the Law of the Sea (UNCLOS). For this purpose and to support its claim, Suriname must prepare a technical report establishing its Continental Shelf beyond the 200 nautical mile line. The Government requested Staatsolie to prepare this technical report. In order to prepare the report approximately 4,500 km of 2D data was acquired in the fourth quarter of 2007.

International Activities

Staatsolie participated in several international and regional conferences.

In April 2007, Staatsolie attended the 13th Annual Latin Upstream conference in Rio de Janeiro, Brazil. Participants were informed of Suriname's offshore and onshore petroleum activities and its future plans. Staatsolie became a member of the World Petroleum Council in April 2007. This forum consists of representatives of 46 oil producing and consuming coun-

tries. At this conference, current aspects of the petroleum industry and renewable energy sources such as biofuels were discussed.

The 3rd PetroCaribe conference was held in August 2007. Under the PetroCaribe energy initiative, Venezuela is to conclude bilateral agreements with Caribbean countries in order to supply them with petroleum products under favorable financing terms. The benefits associated with these agreements are geared towards social development and the structural reduction of poverty.

Follow-up meetings were held in Caracas, Venezuela, in order to negotiate deliveries of petroleum products between the oil companies PDVSA of Venezuela and Staatsolie of Suriname. Initial delivery, price and payment conditions, as well as modalities for repayment of the financed share of oil deliveries were discussed and agreed upon between the counterparts. These initial terms are yet to be approved by the respective governments.

In December 2007, Staatsolie participated in the Energy Caribbean 2007 conference in Trinidad, and presented an update of its exploration activities.

Work Program 2008

Commercial

The total investment budget for 2008 amounts to US\$ 116.4 million, of which US\$ 82.0 million will be invested in sustaining crude production and exploration activities; US\$ 32.1 million is allocated for refinery operations projects, and US\$ 2.3 million for general projects.

The crude production development program for 2008 is based on a production target of 5.95 million barrels. This program includes the drilling of 60 wells in the Tambaredjo field, and 47 wells in the Calcutta field. In addition, 10 stratigraphic test wells will be drilled in 2008, to determine the most prospective areas for future drilling within the developed area. Operations will be conducted with three (3) drilling rigs; two (2) for the wetland areas and one (1) for the dry-land area.



Deputy Director Production & Development Glenn Sairras recognized for 12½ years of service.



Saramacca operations, crude treatment plant.

A total of US\$ 30.3 million is budgeted for the 2008 exploration program. This includes a regional 2D seismic survey (phase 1) in the onshore coastal area of Suriname, to the amount of US\$ 22.7 million. For 2008 an appraisal and exploration drilling program of 35 wells is planned, consisting of seven (7) wells in Nickerie, 10 wells in Weg naar Zee East, 10 wells in Commewijne, and eight (8) wells in Tambaredjo South and Calcutta South. Additionally, one (1) production test well will be drilled in Tambaredjo North-West.

The average throughput for the Refinery is estimated at 7,350 barrels per stream day (BPSD), resulting in an annual production target of 2.46 million barrels. The Refinery will be shut down for five (5) weeks to execute the scheduled Turnaround & Inspection (T&I). The previous T&I was conducted in 2004.

As mentioned in the 2006 annual report, Staatsolie plans to increase total refinery capacity to 15,000 BPSD, and to upgrade the product portfolio with products such as premium gasoline and diesel. In 2007, the second Front End Design phase (FED2) was completed. This was followed up by preparations for the FED3 phase; execution will start in the second quarter of 2008. A total amount of US\$ 27.5 million is budgeted for this activity.

Institutional Activities

As the agent representing the State of Suriname, Staatsolie will continue to supervise offshore PSCs with Repsol, Maersk, Noble Energy and Murphy Oil, in order to assure that an optimal return is achieved for Suriname. High priority will be given to Repsol's drilling of West Tapir # 1 in Block 30 in the first half of 2008.

To support Suriname's claim to establish the outer limits of its Continental Shelf beyond the 200 nautical miles, a technical report will be drawn up. Staatsolie plans to submit its report to the Ministry of Foreign Affairs in the second quarter of 2008.

Preparation for and execution of an international bidding round comprising Blocks 7, 15 and 36 will be carried out in the 3rd quarter of 2008, after the results of West Tapir # 1 are known.

Murphy Oil plans to execute an extensive 3D seismic survey in Block 37 during the last quarter of 2008. Based on the large scope of this program, Murphy plans to farm out part of its interest.

Staatsolie will supervise the onshore PSC with the Paradise Oil - Tullow Oil joint venture, giving special attention to the execution of the drilling programs in Coronie (five wells) and Uitkijk (five wells).

Supporting Activities

Highlights of supporting activities planned for 2008 include:

- Organizational review of the Finance Directorate.
- Implementation of the Corporate Information Plan.
- Implementation of a Data Warehouse and a new Performance Measurement System.
- Implementation of Corporate Governance phase 2, consisting of the Corporate Governance code, an integral risk assessment and audit protocols.
- Finalization of Staatsolie's HSE Management System. An HSE risk assessment will be finalized, which will be fundamental for Staatsolie's ISO 14001:2004 and OHSAS 18001:1999 industry standards course.
- Execution of the HR 'Appraisal project' and 'Management Development Program'.
- Preparations for the financing of the Refinery Expansion and participation in offshore PSCs in the event of a commercial discovery.



Monument commemorating the refinery's 10th anniversary, with the names of those who contributed to its realization.

IV. Financial Statements 2007

IV. Staatsolie Maatschappij Suriname N.V.

1. Balance sheet as of

x US\$ 1,000

A s s e t s	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Current assets			
Cash and cash equivalents	4.2.1	125,512	56,169
Short-term investments	4.2.2	13,734	10,118
Accounts receivable	4.2.3	59,839	31,154
Inventories	4.2.4	13,713	11,477
Prepaid expenses and other current assets	4.2.5	<u>4,908</u>	<u>3,022</u>
		217,706	111,940
Investments			
Pension plan ^{*)}	4.2.6	8,177	6,820
Equity investment		<u>-</u>	<u>377</u>
		8,177	7,197
Property, plant and equipment			
Oil properties	4.2.7		
Evaluated properties		159,918	131,724
Pipelines		<u>3,132</u>	<u>3,948</u>
		163,050	135,672
Refinery		27,664	31,558
Power plant		19,609	20,837
Paradise Oil		23	-
Other fixed assets		<u>26,142</u>	<u>16,957</u>
		236,488	205,024
Projects in progress		<u>27,049</u>	<u>30,024</u>
		263,537	235,048
Total assets		<u><u>489,420</u></u>	<u><u>354,185</u></u>

Paramaribo, May 7, 2008

The Board of Executive Directors:

M.C. Waaldijk, Managing Director

I.E. Kortram, Finance Director

B.F. Nuboer, Refining & Marketing Director

*) 2006 figures adjusted for comparison purposes

Financial Statements

December 31, 2007 (after distribution of earnings)

x US\$ 1,000

Liabilities	Notes	2007	2006
Current liabilities			
Accounts payable	4.2.8	8,704	5,135
Accrued liabilities	4.2.9	66,135	37,219
Income and other taxes	4.2.10	32,985	12,159
		<u>107,824</u>	<u>54,513</u>
Provisions			
Deferred income taxes *)	4.2.11	37,415	31,007
Provision for dismantlement and abandonment	4.2.12	52,505	44,453
Provision for pensions & other post retirement benefits *)	4.2.13	5,946	6,638
		<u>95,866</u>	<u>82,098</u>
Stockholders' equity			
	4.2.14		
Share capital (SRD 1 par value 5,000,000 shares issued and outstanding)		12,104	12,104
General reserve		259,051	199,715
Appropriated reserve for social projects		5,960	-
Net other comprehensive income *)		(1,775)	(1,019)
Unrealized gains and losses short-term investments		10,390	6,774
		<u>285,730</u>	<u>217,574</u>
Total stockholders' equity & liabilities		<u><u>489,420</u></u>	<u><u>354,185</u></u>

Paramaribo, May 7, 2008

The Supervisory Board:

S. Marica	Acting Chairman
R.S. Adhin	Member
F.T. Kasantaroeno	Member
J.R. Kross	Member
R.K. Pahladsingh	Member

*) 2006 figures adjusted for comparison purposes

2. Income Statement 2007

x US\$ 1,000

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Revenues from			
Production & Refining		310,054	240,457
Trading activities		24,600	21,099
Electric energy		1,778	1,914
Inventory variation *)		639	864
Other revenues *)		1,230	-
		<u>338,301</u>	<u>264,334</u>
Less: export-, transport- and sales costs		(6,424)	(18,360)
Net revenues	4.3.1	331,877	245,974
Exploration expenses including dry holes		(3,963)	(490)
Production expenses *)		(20,216)	(18,545)
Refinery expenses		(8,617)	(6,745)
Depreciation	4.3.2	(34,266)	(27,504)
Other operational costs	4.3.3	(26,542)	(24,618)
Operating income		<u>238,273</u>	<u>168,072</u>
General and administrative expenses *)		(13,287)	(15,652)
Impairment of equity investment/goodwill		(377)	(3,123)
Financial income		3,688	3,775
Earnings before tax		<u>228,297</u>	<u>153,072</u>
Income tax charge		(81,622)	(54,602)
Net profit		<u><u>146,675</u></u>	<u><u>98,470</u></u>

Paramaribo, May 7, 2008

The Board of Executive Directors:

M.C. Waaldijk, Managing Director

I.E. Kortram, Finance Director

B.F. Nuboer, Refining & Marketing Director

The Supervisory Board:

S. Marica, Acting Chairman

R.S. Adhin, Member

F.T. Kasantaroeno, Member

J.R. Kross, Member

R.K. Pahladsingh, Member

*) 2006 figures adjusted for comparison purposes

3. Cash Flow Statement 2007

x US\$ 1,000

	<u>2007</u>	<u>2006</u>
Cash flow from operational activities		
Net earnings	146,675	98,470
Depreciation	34,266	27,504
Distribution of earnings excl. addition to general reserve	(84,409)	(51,830)
Increase in income and other taxes	20,826	1,512
In(de)crease in accounts payable	3,569	(9,546)
Increase in accrued liabilities	28,916	16,086
Increase in receivables	(30,571)	(5,683)
De(in)crease in inventories	(2,236)	12,585
Increase in pension plan *)	<u>(1,357)</u>	<u>(3,184)</u>
Cash flow from operational activities	115,679	85,914
Cash flow from investment activities		
Investment in property, plant and equipment	(62,755)	(72,147)
Decrease in goodwill	-	2,000
De(in)crease in equity investment	377	(377)
Increase in short-term investments	<u>(3,616)</u>	<u>(2,293)</u>
Cash flow from investment activities	(65,994)	(72,817)
Cash flow from financial activities		
Increase in provision for dismantlement and abandonment	8,052	7,147
In(de)crease in provision for pensions & other post retirement benefits *)	(692)	4,154
Increase in deferred income taxes *)	6,408	3,541
De(in)crease in general reserve *)	(2,930)	1,906
Increase in appropriated reserve for social projects	5,960	-
Decrease in net other comprehensive income *)	(756)	(1,019)
Increase in unrealized gains and losses short-term investment	<u>3,616</u>	<u>2,294</u>
Cash flow from financial activities	19,658	18,023
Net cash flow	69,343	31,120
Cash and cash equivalents at end of previous year	<u>56,169</u>	<u>25,049</u>
Cash and cash equivalents at end of current year	<u><u>125,512</u></u>	<u><u>56,169</u></u>

*) 2006 figures adjusted for comparison purposes

4. Notes to the financial statements

4.1 Accounting principles – balance sheet and income statement

General

The financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (US-GAAP) for the oil and gas industries in particular.

The US-GAAP guidelines regarding the accounting for pensions and other postretirement benefits have been adjusted. As a result the actuarial gains/losses, transition costs and prior service costs are recorded in the stockholder's equity as 'net other comprehensive income'. Previously, this was recorded under the 'provision for pensions and other postretirement benefits' respectively "pension plan". Furthermore additional disclosure is made and the 2006 figures are adjusted accordingly.

In 2007, Staatsolie's organizational structure has been adjusted. As a result of the adjustment, a reclassification in the income statement has been made for the exploration-, production- and refinery expenses.

The result of the evaluation of the equity investment in Ventrin Petroleum Company Limited, is recorded in the income statement as 'impairment of equity investment'.

In July 2006, the Staatsolie Power Company commenced commercial operations. Revenues are recorded under gross revenues as 'electric energy'. Costs are recorded under 'other operational costs'.

In 2005, Staatsolie established a wholly owned subsidiary, 'Paradise oil Company' (POC). This company has been operational since May 2006. Due to the immateriality, the 2007 transactions were absorbed in Staatsolie's annual figures. In this reporting year the operational result of POC consisted solely of costs and these were recorded under 'other operational costs'.

Currency translation

The US-dollar is the reporting currency since 1995. 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 and the Euro in the year under review was US\$ 1 = SRD 2.71 and US\$ 1 = Euro 0.70.

Exploration and production development

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

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

Specific principles

Balance sheet

Short-term investments

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

Accounts receivable

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

Inventories

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

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

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

Investments

Equity investments are accounted for using the equity method. The investment in the pension plan regards the prepaid pension benefit related to the pension plan managed by the 'Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.'. The determination of the prepaid pension benefit is based on an independent actuarial evaluation using the US-GAAP guidelines.

In addition, investments in pension plan also comprise the prior service costs related to the insured pension plan recorded at contract value and to be amortized over the participants' remaining service period.

Property, plant and equipment

Oil properties

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

Refinery, Power plant, Paradise Oil and other fixed assets

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

Current liabilities

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

Provisions

Deferred income taxes

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

Provision for dismantlement and abandonment

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

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

Income statement

Revenues

Net oil revenues consist of the sales of goods, electric energy and trade activities after deduction of discounts, export charges, etc. 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 cost') and are expensed as incurred.

The costs of the trade activities and electric energy are recorded as 'Other operational costs'.

Taxes

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

4.2 Notes to the balance sheet as of December 31, 2007

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

Current assets

4.2.1 Cash and cash equivalents consist of the following:

	<u>2007</u>	<u>2006</u>
Cash at foreign banks	111,949	49,950
Cash at local banks	13,475	6,147
Total bank balance	125,424	56,097
Petty cash	88	72
	<u>125,512</u>	<u>56,169</u>

4.2.2 Short-term investments consist of the following:

	<u>2007</u>	<u>2006</u>
Powisie Gold certificates	12,742	9,363
Shares	992	755
	<u>13,734</u>	<u>10,118</u>

4.2.3 Accounts receivable consist of the following:

	<u>2007</u>	<u>2006</u>
Accounts receivable in foreign currency (net)	54,959	21,237
Accounts receivable in Surinamese Dollars (net)	4,880	9,917
	<u>59,839</u>	<u>31,154</u>

4.2.4 Inventories consist of the following:

	<u>2007</u>	<u>2006</u>
Petroleum products	5,680	6,171
Materials and supplies (net)	4,497	2,298
Ordered Goods	3,536	3,008
	<u>13,713</u>	<u>11,477</u>

4.2.5 Prepaid expenses and other current assets

	<u>2007</u>	<u>2006</u>
Other prepaid expenses	1,994	1,047
Loan N.V. EBS regarding 'Substation TLF'	1,404	1,404
Receivables regarding interest	824	-
Prepaid insurance costs	686	571
	<u>4,908</u>	<u>3,022</u>

4.2.6 Investments consist of the following:

	<u>2007</u>	<u>2006</u>
Prepaid pension benefits employees	8,078	6,662
Back service insured pension plan	99	158
Equity investment	-	377
	<u>8,177</u>	<u>7,197</u>

Equity investment

Taken into account the negative net equity value of Ventrin Petroleum Company Limited as of December 31, 2007, the 30% interest of US\$ 376,800 was valued at nil. The value of the equity investment will be adjusted, as soon as the value of Ventrin's net equity is positive.

4.2.7 Property, plant and equipment

Movements in 2007 in property, plant and equipment are as follows:

	2007								2006	
	Wells & equipment	Pipelines	Total production investments	Refinery	Power plant	Paradise Oil Company	Other fixed assets	Projects in progress	Total tangible fixed assets	Total tangible fixed assets
Investments										
January 1	316,930	16,634	333,564	73,680	21,483		52,039	30,024	510,790	439,767
Disinvestments current year							(333)		(333)	(1,128)
Capitalized current year	51,168	112	51,280	306	340	32	13,773	(2,975)	62,756	72,151
Total investments December 31	368,098	16,746	384,844	73,987	21,823	32	65,479	27,049	573,213	510,790
Total depreciation January 1	(185,206)	(12,686)	(197,892)	(42,122)	(646)		(35,082)		(275,742)	(249,362)
Depreciation disinvestments current year							332		332	1,124
Depreciation current year	(22,974)	(928)	(23,902)	(4,200)	(1,568)	(9)	(4,587)		(34,266)	(27,504)
Total depreciation value Dec. 31	(208,180)	(13,614)	(221,794)	(46,322)	(2,214)	(9)	(39,337)		(309,676)	(275,742)
Book value as of December 31	159,918	3,132	163,050	27,664	19,609	23	26,142	27,049	263,537	235,048

Investment in wells and equipment

The 2007 depreciation rate of 0.16 (2006: 0.15) for the Tambaredjo field and 0.14 for the Calcutta field (2006: 0.11) is based on the Unit of Production Method, which is calculated by using the quotient of the annual production and the proven developed reserve plus the production in the current fiscal year.

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

Total number of wells, related investments and book values:

Investment Year	Number of wells	Original Investment	Book value 1-1-07	Investment/ Disinvestment 2007	Depreciation 2007	Book value 12-31-07
1980 – 1998	716	113,379	5,298		848	4,450
1999	15	4,195	578		92	486
2000	25	18,680	2,708		433	2,275
2001	44	20,123	5,286		846	4,440
2002	83	33,537	13,294		2,127	11,167
2003	86	20,317	11,827		1,892	9,935
2004	103	31,369	24,881		3,981	20,900
2005	93	30,850	25,177		4,028	21,149
2006	98	45,222	42,675		6,829	35,846
2007 *)	123			51,168	1,898	49,270
	<u>1,386</u>	<u>317,672</u>	<u>131,724</u>	<u>51,168</u>	<u>22,974</u>	<u>159,918</u>

*) Wells and equipment in 2007 consist of the following:

	Investments	Depreciation	Book value
Wells and equipment	43,840	1,127	42,713
Capitalized cost for dismantlement	7,328	771	6,557
	<u>51,168</u>	<u>1,898</u>	<u>49,270</u>

Pipelines

The pipeline facilities used for the transportation of crude oil from the Saramacca field to the Tout Lui Faut export terminal are fully depreciated at the end of December 2007. 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 comprises the following:

	2007	2006
Land and land improvement	1,666	1,666
Crude desalting and vacuum unit, visbreaker unit, tankfarm en utilities	62,997	62,967
Distributed control system	1,821	1,821
Crude storage tanks	3,537	3,537
Capitalized cost for dismantling	3,965	3,689
	<u>73,986</u>	<u>73,680</u>
Less: Accumulated depreciation	<u>(46,322)</u>	<u>(42,122)</u>
Total refinery assets	<u>27,664</u>	<u>31,558</u>

Power plant

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

Power plant's assets comprise the following:

	<u>2007</u>	<u>2006</u>
Buildings and production hall	3,212	3,212
Steam boilers and metering	1,148	1,148
Yard	300	300
Field equipment	3,530	3,530
Fuel treatment	248	248
Electric installation	1,601	1,601
Inventory	117	114
Powerhouse equipment	9,979	9,979
Tank battery	768	768
Capitalized cost for dismantling	920	583
	<u>21,823</u>	<u>21,483</u>
Less: Accumulated depreciation	(2,214)	(646)
Total power plant assets	<u><u>19,609</u></u>	<u><u>20,837</u></u>

Paradise Oil Company

The Paradise Oil Company assets, regarding inventory, are depreciated on a straight-line basis at 33 $\frac{1}{3}$ %.

Paradise Oil Company's assets comprise the following:

	<u>2007</u>	<u>2006</u>
Inventory	32	-
Less: Accumulated depreciation	(9)	-
Total Paradise Oil Company assets	<u><u>23</u></u>	<u><u>-</u></u>

Other fixed assets

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

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

Movement in other fixed assets is as follows:

	Book value January 1, 2007	Investment/ Disinvestment 2007	Depreciation 2007	Book value 12-31-07
Properties & Dock TLF	4,092	5,205	(147)	9,150
Buildings and installations	5,801	252	(751)	5,302
Oil tankers	935	154	(110)	979
Drilling machinery, heavy equipment and transportation equipment	4,128	7,097	(2,232)	8,993
Office furniture, fixtures and tools	2,001	1,064	(1,347)	1,718
	<u>16,957</u>	<u>13,772</u>	<u>(4,587)</u>	<u>26,142</u>

Projects in progress

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

The movement of the projects in progress is as follows:

	<u>2007</u>	<u>2006</u>
Balance as of January 1	30,024	30,040
Capitalized costs	58,394	62,565
	88,418	92,605
Less: reclassification to		
- wells and equipment	(43,841)	(39,415)
- refinery	(30)	(58)
- power plant	-	(18,100)
- other fixed assets	(13,773)	(4,647)
- expense	(3,725)	(361)
Balance as of December 31	<u>27,049</u>	<u>30,024</u>

Current liabilities

4.2.8 Accounts payable consist of the following:

	<u>2007</u>	<u>2006</u>
Accounts payable in foreign currencies	7,114	3,729
Accounts payable in Surinamese dollars	1,590	1,406
	<u>8,704</u>	<u>5,135</u>

4.2.9 Accrued liabilities

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

	<u>2007</u>	<u>2006</u>
Cash dividend	58,326	29,789
Allowances payable to management and personnel	3,221	2,238
Payables regarding consultancy and other services	2,040	2,017
Other short term provisions	1,073	984
Maintenance costs to be paid for the refinery	901	726
Payables regarding the import of fuel oil	316	923
Sales expenses	145	470
Other payables	113	72
	<u>66,135</u>	<u>37,219</u>

4.2.10 Income and other taxes consist of the following:

	<u>2007</u>	<u>2006</u>
Income tax	36,745	15,056
Other taxes and social security	(3,760)	(2,897)
	<u>32,985</u>	<u>12,159</u>

Provisions

4.2.11 Deferred income taxes

Movements in 2007 in the deferred income taxes were as follows:

	<u>2007</u>	<u>2006</u>
Balance as of January 1	31,007	27,466
Movement due to:		
Difference between commercial and fiscal calculation of profit	6,833	4,114
Less: result of unrealized financial gains from investments for pension plan	(425)	(573)
Balance as of December 31	<u>37,415</u>	<u>31,007</u>

4.2.12 Provision for dismantlement and abandonment

Provision for dismantlement and abandonment comprises the following:

	<u>2007</u>	<u>2006</u>
Production field in 2007: 1,098 wells (2006: 975 wells)	44,166	36,999
Production facilities: Saramacca and pipeline to TLF	3,454	3,182
Refinery and pipeline to Paranam	3,965	3,689
Power plant	920	583
	<u>52,505</u>	<u>44,453</u>

4.2.13 Provision for pensions and other postretirement benefits consist of the following:

	2007	2006
Unfunded accrued pension benefits insured pension plan	463	372
Unfunded accrued pension benefits health care plan	5,483	6,266
	<u>5,946</u>	<u>6,638</u>

Pensions and other postretirement 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 for the Board of Executive Directors;
- The unfunded health care benefit plan for retired personnel.

These plans can be specified as follows:

	Pension benefits		Insured pension benefits		Post-retirement health care	
	2007	2006	2007	2006	2007	2006
Benefit obligation as of December 31	(29,615) ^{*)}	(25,717)	(463)	(372)	(8,230)	(6,275)
Fair value of plan assets as of December 31	37,692	32,378	-	-	2,748	-
Funded status as of December 31	8,077	6,661	(463)	(372)	(5,482)	(6,275)

*) The benefit obligation as of December 31 based on the salary of 2007 amounts to US\$ 17,370,056

(in %)	Pension benefits		Insured pension benefits		Post-retirement health care	
	2007	2006	2007	2006	2007	2006
Actuarial assumption						
Actuarial discount rate	6.0	5.5	6.0	5.5	6.0	5.5
Expected return on plan assets	6.5	6.5	-	-	-	-
Adjustment for inflation and salary developments	6.0	5.0	4.5	3.8	-	-
Rate of benefit increase	2.5	2.5	-	2.5	-	-

The expected increase of medical cost is rated at 5.5% annually.

	Pension benefits		Insured pension benefits		Post-retirement health care	
	2007	2006	2007	2006	2007	2006
Employer's contribution	1,893	1,736	-	-	-	-
Employee's contribution	635	579	-	-	-	-
Benefits paid	388	100	-	-	21	19

As of December 31	Pension Benefits			Insured Pension benefits			Post-retirement health care		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Service costs	(1,568)	(1,711)	(1,877)	(13)	(20)	(23)	(286)	(436)	(534)
Interest costs	(1,215)	(1,415)	(1,777)	(19)	(20)	(28)	(214)	(345)	(491)
Return on assets	1,887	2,180	2,530	-	-	-	-	-	178
Unrecognized Transition cost	(21)	(21)	(21)	(22)	(19)	(15)	(121)	(121)	(121)
Unrecognized Prior Service Cost	-	-	-	(25)	(17)	(13)	-	-	-
Unrecognized Gains/Losses	-	-	-	34	9	5	-	(58)	(113)
Net Pension costs	(917)	(967)	(1,145)	(45)	(67)	(74)	(621)	(960)	(1,081)

Investments Pension fund ¹⁾

	2007		2006	
	US\$	%	US\$	%
Real estate	10,224	29	9,088	29
Securities	9,033	25	8,182	26
Mortgage loans	16,161	46	13,998	45
	35,418		31,268	

¹⁾ The segmentation of investments of the 'Stichting Pensioenfonds' is restricted to the guidelines of the "Centrale Bank van Suriname".

4.2.14 Stockholders equity

In 2007, the stockholders' equity consists of the following:

	2007	2006
Common stock		
Authorized share capital SRD 5 million with a nominal value of SRD 1 per share	12,104	12,104
General reserve		
Balance as of January 1	199,715	
Add: prepaid pension benefits 2007	1,570	
Add: appropriated reserve for environmental risk	500	
Less: reserve for social projects ¹⁾	(5,000)	
Add: transfer from earnings 2007	62,266	
	259,051	199,715
Appropriated reserve for social projects ¹⁾	4,960	-
Appropriated reserve for social projects ²⁾	1,000	
Net other comprehensive income ³⁾	(1,775)	(1,019)
Unrealized gains and losses short-term investments	10,390	6,774
	285,730	217,574

¹⁾ At the general meeting of shareholders held on March 22, 2007, an amount of US\$ 5 million has been allocated for social projects. Appropriated reserve for social projects regards among others, the funding of projects for rehabilitation and expansion of sport facilities. In 2007 an amount of US\$ 40,000 has already been spent on sport facilities.

²⁾ At the general meeting of shareholders held on June 26, 2008, the total amount of US\$ 5 million and an additional amount of US\$ 1 million has been allocated for the rehabilitation and expansion of sport facilities.

3) Net other comprehensive income

Balance as of January 1		(1,019)
Unrecognized transition cost	(161)	
Unrecognized prior service cost	(17)	
Unrecognized gains/losses	1,359	
		(1,181)
Deferred income tax		425
Balance as of December 31, 2007		<u><u>(1,775)</u></u>

Off-balance commitments and contingencies

In 2007, the off-balance commitments and contingencies consist of the following:

	2008	2009-2012	Total
Long-term sales contracts	(144,423)	-	(144,423)
Operational lease	1,894	2,760	4,654
Claims	1,212	-	1,212
Ordered goods, not shipped	29,913	-	29,913
Study grants	220	550	770
Totaal	<u><u>(111,184)</u></u>	<u><u>3,310</u></u>	<u><u>(107,874)</u></u>

In addition, the following events, after the balance sheet date, are disclosed:

- In 2008, fixed assets to the amount of US\$ 20.9 million for the 14 megawatt Tout Lui Faut power plant, will be placed in a separate company by the name of 'Staatsolie Power Company Suriname N.V.'.
- On March 6, 2008, Staatsolie has taken over the holding in Ventrin Petroleum Company Limited from the mayor stockholder ACI (Barbados Limited). With this, the 30% participation of Staatsolie increased to 97.1%.
- In 2008, an amount of US\$ 0.8 million from the appropriated reserve for social projects was allocated to sports projects.

As part of the expansion of the refinery, Staatsolie shall enter into contractual obligations in 2008 with License and Engineering companies to the amount of US\$ 25 million. These contracts are:

X US\$ 1000

Contract	US\$	Allocation and terms
CB & I Lummus B.V.	18,400	Front End Design 3; 5 years
Chevron Lummus Global LLC ¹⁾	3,300	Engineering and Licence Hydrocracker unit; 10 years
Haldor Topsoe A/S	1,200	Engineering and License Sulfuric Acid unit; 10 years
Grimm Engineering ¹⁾	800	Units of the new Refinery; 5 years
Haldor Topsoe A/S	800	Engineering and License Hydrogen unit; 10 years
CB & I Lummus B.V.	500	Engineering and Licence Visbreaker unit; 15 years
	<u><u>25,000</u></u>	

¹⁾ These contracts have already been signed by May 2008.

4.3 Notes to the 2007 income statement

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

4.3.1 Net revenues per product is as follows:

	2007		2006	
	x1000 bbls		x1000 bbls	
Crude oil	2,499	130,780	2,171	102,449
Local refined products	2,904	179,274	2,619	138,008
Gross revenues crude and refining products	5,403	310,054	4,790	240,457
Trading activities	395	24,600	408	21,099
Electric energy		1,778		1,914
Total gross revenues	5,798	336,432	5,198	263,470
Net revenue crude, local refined products, crude oil derivatives after deduction of direct sales costs, including electric energy		330,008		245,110
Other sales related revenue *)				
- inventory change oil stock		639		864
- other revenues		1,230		-
Net sales revenue	5,798	331,877	5,198	245,974

4.3.2 Depreciation

The breakdown of the depreciation expenses is as follows:

	2007	2006
Wells and equipment	22,974	18,261
Refinery	4,200	4,183
Power plant	1,568	646
Paradise Oil Company	9	-
Oil pipelines	928	1,199
Other fixed assets	4,587	3,215
	34,266	27,504

4.3.3 Other operational costs

The breakdown of the other operational costs is as follows:

	2007	2006
Trading activities	24,602	21,061
Imported gas oil for refinery input	(300)	1,975
Electric energy	2,190	1,575
Joint venture Paradise Oil & Tullow Oil	50	7
	26,542	24,618

*) 2006 figures adjusted for comparison purposes

V. Other Information



1. Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2007 of Staatsolie Maatschappij Suriname N.V., Paramaribo, which comprise the balance sheet as at December 31, 2007, the profit and loss account and the cash flow statement for the year then ended and the accompanied notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with accounting principles generally accepted in the United States of America. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Staatsolie Maatschappij Suriname N.V. as of December 31, 2007 and the result for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Furthermore, we report, to the extent of our competence, that the management board report is consistent with the financial statements.

Paramaribo, May 12, 2008
Tjong A Hung Accountants

Tjong A Hung is an associated firm of PricewaterhouseCoopers

2. 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, are placed at the disposal of the General Meeting of Shareholders.

2007 distribution of earnings

In 2007, a net profit was realized of US\$ 146.6 million. Management proposed a cash dividend of 55%, an addition to the appropriated reserve for social projects, profit sharing for personnel and management, a reserve for environmental risks and the remaining balance to be added to the general reserve. This proposal was adopted at the general meeting of shareholders held on June 26, 2008.

3. Adoption of Financial Statements of the preceding fiscal year

The 2006 Financial Statements were adopted at the General Meeting of Shareholders held on March 22, 2007 and included Management's proposal for the appropriation of the 2006 profit.



- Published by : **Staatsolie Maatschappij Suriname N.V.**
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- Cover Photo : Science education at the Ewald P. Meyer
Secondary School. Students perform a
chemistry test in their new lab sponsored by
Staatsolie.
- Photos : Ranu Abhelakh, Hedwig de la Fuente,
Hubert Hermelijn and Staatsolie Public
Relations
- Design and
production : Art Sabina Design & Printing NV